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POLICIES AND STRATEGIES FOR PARTICIPATORY RURAL DEVELOPMENT IN AFRICA

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EXECUTIVE SUMMARY

1. The premise of the Report is that the current crisis of Africa is a reflection of social construction of short term gains. Hence, it has to be reconstructed to facilitate Participatory Rural Development (PRD), which is sine qua non of Africa's self-reliant recovery and development.

2. The Report argues that PRD requires a more democratic and decentralized politics, economics and culture. National policies' and strategies' appropriateness for PRD henceforth will have to be judged by exacting standards of a combination of economic growth, equity, institutional effectiveness, integration of women all aspects of life and sustainability.

3. The Report addresses the policy issues, the obstacles and constraints and the actions required for implementation of PRD at the following three levels, viz., (i) state; (ii) the intermediate service organization of the rural poor and other disadvantaged segment of the population like the women and (iii) local organization. An effective strategy or implementing PRD requires a systems approach and conscientization of the leaders of the local organizations and empowerment of the rural poor. Although a process of inter-disciplinary education and dialogue.

4. The Report suggests that the states may create an enabling climate at national level by appropriate decentralization. Such a climate will encourage the rural poor set up their own intermediate institutions both as service organizations and defensive mechanism. These institutions will be hybrid in functions and form their own co-operative federations. These federations will be catalytic and capacity building. They will need to collaborate with the existing local organizations, based on clan, age-set, brotherhood and diverse communal aid efforts.

5. In the light of the above analysis, which has been detailed in the Report, the member States may wish to consider the following major recommendations to:

(i) institutionalize a new form of state-citizen dialogue, making provision for participation of the rural poor and other disadvantaged segment of the population such as women for self-reliant rural development, with equity;

(ii) provide scope for healthier state-rural relations by political decentralization. By redesigning power and implementation effectiveness, as well as due to resource limitations, the logic and practicality of decentralization will grow, opening space for new or more active forms of associational life such as intermediate institutions;

(iii) facilitate rural poor to build up their own intermediate institutions as both service organizations and defensive mechanism. They need to organize themselves into small groups, working as a co-operative federation for such intermediate organizations to be viable. An organized poor is the essential foundation and support for participatory rural development. A federation of the organized poor may be involved with agricultural specialists working for intermediate service organizations, which mediate farming systems research. Over time many line agency local staff might move to intermediate organizations for more secure, development career. Federations would take a larger role in line agency policy making to assure more gender, class, and regional equality and more focus on organic, self-reliant agronomic practice and ecological renewal. Current reform efforts in agricultural research and credit go part way, illustrating the limits of reform created from the top down alone;

(iv) consider the possibility of carefully staged process of selective de-linking from the decades of "dependent development" and bondage while building relatively autonomous, if not self-reliant economic base for participatory rural development at home;

(v) take concrete steps to make formal educational institutions more responsive to the development needs of rural Africa. Teacher training and the basic curriculum need to put more emphasis on the uses of literacy, numeracy, basic science and health issues for rural careers in farming, agro-industry, social and market services. Every line agency should build in career training modules on development and challenge and reward personnel for further self-directed learning and leadership initiative;

(vi) build up skills and institutions at the local and regional levels. Young school leavers, with idealism, could be particularly open to such a challenge for PRD.

SECTION I: INTRODUCTION

1. Africa has the potential to substantially improve its rural sector in nearly all regions of most countries; even though the record of the last three decades is not a function of the possible, but rather one of language, culture, institutions, and politics. The current crisis is in fact a reflection of a social construction by some for short-term gain at the expense of others. What can be constructed can be deconstructed and reconstructed. Indeed such a process is inevitable for Africa's self reliant recovery and development. This Report proposes to show how such a process may be facilitated over time.

2. The Report is organized in five Sections. Section - I is introductory. It considers history of poverty and presents the theory of participatory praxis. Section - II discusses the role of member-States and the issues they face at the national level. Section - III attempts to make a case for building up intermediate institutions for group efforts by the rural poor for their self-reliant and sustainable development. Section - IV argues for local organizations and empowerment people. Section - V has the conclusions and recommendations of the Report.

3. The overall prescriptive, model for participatory rural development, has been built on prolonged global debates and promising small-scale experiments in various parts of the developing countries.[1/] In Africa the papers, proceedings and the report of besides others, the ECA-sponsored International Conference on Popular Participation in the Recovery and Development Process in Africa, (Arusha, Tanzania, 12-16 February 1990) provide evidence of the growing interest in participatory rural development and in desire to rebalance power and legitimacy to this end.

4. The task begins here with expanding and crystallizing areas of possible consensus for authentic rural development. Development and political education must be geared to expanding the legitimacy of the latter as the cornerstone of a healthy society. Such a society will become more possible first by a process of raising critical consciousness about the urgent need to accelerate rural development on a self-reliant and equitable basis. From an interdisciplinary and systems perspective the need for substantial progress in African rural development is a complex and yet compelling issue.

5. Subsistence survival is not assured for many. Between 25 and 40 per cent of African households in most societies cannot meet annual subsistence needs. Given status quo policies, the situation will deteriorate. The physical size of countries will not grow. Few have much more available arable land. Average holdings cannot indefinitely diminish. Urban migration often contributes to rather than lessens rural poverty by draining the best educated, most innovative from marginal areas. The over all cost of failing to meet subsistence needs of the rural poor are staggering. No society seems to have dared any real accounting. The total social cost of structural imbalance, of creating producers but not a requisite mass market of consumers is enormous.

6. A related second issue is the inefficiency built into misbalanced regional growth in terms of additional transport costs and price fluctuations in highly imperfect markets. Poverty taxes women especially

harshly. Insecurity is the primary motive for the creation of large families, and women pay heavy physical and psychological costs. One ought to add finally the social and economic drains of investment in children who don't get the pre- and post-natal care to reach age one (or five) and the long-term costs of lifetime care of the disabled (river blindness, etc).

7. Environmental decline should be of more than local concern yet current and future crises are usually mystified by food imports and technological promises. After decade of investment, there are still not many hopeful signs of great and sustainable productivity gains for farms on fragile dryland soils. It is reasonable to seek different learning processes and consider the incentives of all involved. Peasants do not despoil their commons or deplete soils by preference.

8. A recent report on environmental rehabilitation efforts in the northern highlands of Ethiopia reveals both causes and solutions, providing a good educational tool. Peasants who lack long-term security of landholding or land use are unlikely to rebuild a healthy long-term contract with nature. Given real security and control, peasants have both the skill and the willingness to invest in renewal with little or no outside aid.[2]/

9. A third issue which should bring urgency to addressing rural poverty is the deepening financial crisis of the state. African states, like most others, have long been unable to live within their means. Many look upon the rural needs of the poor as unaffordable. The financial plights of states vary, but all would benefit from more prosperous citizens who paid taxes. A rich universe of small credit experience worldwide illustrates specific conditions under which the rural poor can mobilize their own savings and rapidly expand incomes.[3]/

10. The spatial and structural evolution of employment in Africa provides a fourth compelling argument for balanced rural growth. The current solutions to unemployment in Africa as elsewhere, are far from satisfactory. Cities cannot expand indefinitely. The catchall concept of the informal sector, hides significant inequalities and the vulnerablities of most households.[4]/ Current reformist and remedial employment programmes reach a tiny percentage of the needy; resources do not exist to expand such programmes to scale. Yet alternative programmes like ORAP in Zimbabwe indicate the practicality of inexpensive participatory rural development.

11. There are also compelling cultural reasons for an alternative development policy and the acceleration of development rather than growth. One is the plight of women who produce most of the food yet remain disempowered by markets, politics, and patriarchy. A second is the alienation of labor. It is not utopian to imagine recreating culture and institutions so that work is not a survival necessity to satisfy material urges but rather an activity of self-actualization and enjoyment. Africa's rural households will not prosper with the cultural status quo.

12. The discussion that follows will argue that, to overcome these kinds of dilemmas and constraints, African societies need to build far more decentralized and democratic politics, economics, and culture. This strategy is known as participatory development. Policies and projects are to be judged by tough standards, a <u>combination</u> of growth, equity, institutional effectiveness, and sustainability.

13. Some African rural households have always been poor in the sense of being unable to meet basic needs. Other than that, there has been little agreement in modern times about the nature, the causes, or the cures of poverty. In both public policy and academe, partisans of specific disciplines or schools of thought have defined both the problem of poverty and its cure in terms of what is most comfortable. Economists locate and prescribe for market imperfections but ignore patriarchy and most women's work. A better approach is to discern different types of poverty resulting from different social processes and historical circumstances.

14. There are at least two kinds of structural poverty and other forms of conjunctural poverty.5/ One structural type appears common in all areas: people have lacked labor power because of age or infirmity. Structural poverty from land scarcity is a recent phenomenon in Africa. In this century landlessness has grown appreciably, especially in Southern Africa. In some regions apartheid has staged the creation of extreme conditions; by the 1980s many other regions and traditional production systems were facing a resource crisis.

15. Conjunctural poverty is the temporary poverty created by war, pestilence, and plague and lack of political power excluding the poor from access to resources. The slave trade and colonialism created such poverty. In this century wars continue to impoverish, but the major cause of poverty is the growth of concentrated political and economic power and its use of culture and institutions to marginalize the poor.

16. Historically inhabitants of rural Africa in most societies did not look to the state to aid them in times of poverty or distress. Instead they looked to family, both nuclear and extended, and to friends. The capacity and willingness of family to assist has varied with culture, time, and location. In general terms the spread of market relations has stressed and broken such support networks.

17. In the post-colonial era they watched a series of officially inspired growth efforts come and go, and learned to distinguish, as in a member State between developpement de fonctionnaires and development paysan.6/ But official development, sponsored by states and agencies, has and continues to have a dominant role over both the definition of poverty and the prescriptions and large scale resource flows that result.

18. The neatest synopsis of the intellectual basis of these state-sponsored growth appears in a major work of Latin America.7/ It identifies six schools of thought with partial analysis and prescriptions. Neo-Malthusians show population growth to be outrunning production and seek radical population control efforts and ways to create appropriate incentives for smaller families. Technological determinists look at past success in agricultural growth but see no correlation between such growth and rural stratification. Instead they seek to reduce poverty by improving technical packages and their distribution. Monetarists blame market imperfections that destroy the incentive to invest or trade; their solutions ignore private monopoly and seek to curb state power. Structuralists look at the way the poor are excluded from the means of production; policy is typically reduced to land reform. Some critics of overdevelopment point to overconsumption by elites, especially food consumption in the North; culture

change and redistributive policies are suggested. Finally there are the liberal reformists who argue that poverty comes from lack of access to productive resources and good jobs. Job and nutrition programmes are proposed.

19. These six debates illustrate the lack of systems thinking built into twentieth century social science. Thus culture, gender, ecology institutions and, most of all, power are given, at best, partial attention. The workings of a world-system and its agencies in the production and expansion of rural inequality receive minor or minimal attention. In most samples of national approaches and project types it is therefore not systems thinking that is evident but one or more of the six arguments above.

SECTION II: ROLE OF MEMBER STATES: TASKS AND CHALLENGES AT THE NATIONAL LEVEL

20. Member States of Africa are in an unenviable position. As organizations they are terrains of struggle between contending domestic and international forces with self-interested agendas. The struggle will not end soon, so what is proposed here is to view the state as a loosely structured social system within which interested and competent activists can build or expand islands of peace and development that could usefully nurture intermediate organizations, expand national consciousness about real development, facilitate contact with kindred organizations elsewhere. Over time these islands of development can also foster a less hierarchical and patriarchal work culture within state institutions.

21. The discussion begins with the dilemmas of the member States seeking to maintain legitimacy in the face of human needs. The political culture inherited from precolonial tributary states was typically not democratic; but rulers in that era earned legitimacy at least in part by conforming to a moral economy and meeting some obligations to their subjects. The next historical era of colonialism were even less democratic.

22. The first generation of post-colonial elites naturally found power appealing and sought to maintain and enhance their privileges. Such goals appeared to conflict with mass aspirations for better living standards, and both ran around on the issue of finances. Resources could in theory have come from personal taxes; but income taxes requires citizenry, government delivery of services, and leadership by example from elites. Leadership instead generally looked to indirect taxes that were practical to collect, especially a tax on export and a reduction in real rural producer prices. A few tried to present a more democratic view of mutual responsibility between state and society. A few others were able to become oil exporters. Most were pushed into the expedient solution of expanding primary commodity exports into international markets which peripheral countries could little influence.

23. Modest and uncertain export taxes and foreign exchange earnings were insufficient even to meet the expanded state payrolls. Borrowing abroad and foreign aid became unavoidable. Maintaining the stratified society and nondemocratic politics and culture of their inheritance seemed inevitable in order to limit outlays. One party states and centralization were logical institutional solutions to retain power and allocate scarce resources.

24. Despite an era of relative political stability most African states that made the series of choices sketched above, found the results unsatisfactory. Joining the United Nations and multilateral agencies provided some international prestige and facilities. Aid flows were helpful in building legitimacy among some sectors of local capital, but local capital was still not in most cases strong enough to be much of an ally in the new and uneven triple alliance African states had entered.8/ This triple alliance of the state, local capital, and international capital had reason to help each other but the particiption of the poor was neither needed nor desired. The poor were of no use as either producers, consumers or taxpayers.

25. The influx of aid made the state structure an attractive terrain of struggle among domestic factions as well as source of entrepreneurial profit making for those whose salaries could not keep up with inflation or family needs. Aid flows, however, encouraged states to live beyond their means and entrapped them on many levels. The debt trap, erosion of legitimacy and erosion of sovereignty to the International Financial Institutions has been the most heavily chronicled.9/

26. The continuing economic crisis is forcing at least some in every state system to see the limits of the export and aid model. Financial crisis, limited aid potential, the growth of parallel economies all suggest the need for new low cost initiatives to rebuild both state legitimacy and finances. There has been a rich local associational life in most African societies.10/ As or if the state becomes better enlightened and gives scope for new more democratic local organizations, the potential opens for more cost-effective, legitimate, and equitable public policy.

27. These conclusions impel a brief discussion of a healthy state and the practical steps of its social creation. All societies need central institutions because they are a number of tasks that are more efficient and practical to be carried out at the state level. While some task divisions may seem logical the ultimate effectiveness of any institution depends on its legitimacy, trust, and accountability. These characteristics are created by democratic processes of high quality.

28. Two questions crystallize practical problems: how much quality and how much particiption. Democracy has costs, but so does every other system. Africa has a rich heritage of partially democratic local association and clan groups that can be adapted to many purposes. The development since 1976 of the Six-S movement, based on traditional village co-operative groups in a member State called Naams, now totalling 4,000 groups in nine countries of West Africa, is one example of local inventiveness. But learning from local creativity alone will not be enough.

29. The democratization of state institutions must draw on both participatory processes and substantive expertise. In each situation member States must look self-critically not only at their cultural orientations (patriarchy for example) but also at the quality of education being brought to bear. There are global debates going on on the nature of democracy, worker management and ownership and most other aspects of development. The costs of not being informed or current are severe. The United Nations University series on African political economy is only a start.

30. Thus state level organizations need to marshall and mold both the cultural and educational diversity available and develop a local to global learning mode. A practical process begins with small group educational efforts within an agency leading to more formal seminars. Such seminars could lead into the agency planning process to budget for regular learning sessions, house critics, new standards of professional rewards and advance, a global learning centre, agency standards for political appointments, agency publications and interaction with the global development studies community.

31. It is important that activists and educators inside specific agencies realize that good ideas and policy cannot advance very far toward

implementation without agreement at other political levels and in other social spheres. In a transition period and beyond, organizational activists must build and maintain allies at the global, province and local levels, in other agencies, in academe, the media, the churches and elsewhere. Sustained success requires a combination of long-term allies who collectively can push policy reform through the system, monitor the quality of implementation, and do the research to insure that subsequent change efforts are even better.

32. Education is a central focus of every part of the participatory development process. The foundation of national development education is a core group of indigenous scholars who build their skills over time and capacity for an interdisciplinary grasp of development involving five areas of study: historical sociology and global economic system; political economy; area studies, especially anthropology; organization studies; and one or more technical fields. There is no such academic programme now available anywhere so much of this education will have to be part of self development. There are guides to such an educational adventure, some quite inexpensive.11/ But access to many publications is quite expensive and thus raises a large challenge to governments and potential donors.

33. Academic programmes need more than core faculty; they need universities, buildings, support staff, libraries, research funds, student stipends and housing, and more. Africa can afford a small number of very fine universities and a good number of reasonably good colleges. It is hard to see how optimal choices can be made without powerful, competent regional authorities. Reformist solutions look more practical.

34. Institutional reform in African academe is as difficult as elsewhere. Many people need to make what they might feel are career sacrifices. As in any institution it takes step by step building of a critical mass of internal and external allies. Different disciplines guard their guilds with vigor; administration guards their perquisites. The needs of the major teaching university should be balanced against regional colleges and secondary schools. This will be hard until regional economies and tax bases are built up and province governments given some financial authority. Part of what makes the regional college situation now so unbearable is the financial powerlessness.

35. Moral suasion and tangible rewards should go to faculty doing field research leading to practical solutions to the society's development problems. School leavers now suffer because of unbalanced development; they want jobs in sectors where there are not enough consumers. Some will be employed by intermediate and local organizations as subsequent sections here illustrate. But social planning for development will be the key; a member State's current efforts with 55 growth points are one possibility. Social planning will only work if society is involved. Development education needs to be built into many other spheres of life.

36. A core element in all of these formal and informal education efforts needs to be the lesson of success. Africa needs to make visible a body of case material about its own development success, even if they are small ones. At every level of society people need to see tangible evidence of where and how small groups of people were able to make use of limited resources to improve livelihoods in an equitable and sustainable manner.

37. A second area of public policy crucial to the effectiveness of intermediate and local organizations and the ending of rural poverty concerns the prevailing formal institutions mandated to improve agriculture. These include most often an Agricultural or Rural Development Ministry, a marketing agency and a rural bank. These institutions play an awkward mediating role between the actors of the triple alliance and the peasantry. Set up and funded by states, such agencies reflect in structure and practice most of the larger system's approach of mobilizing the more productive farm households and ignoring the rest. But each institution also contains people with more developmental goals, swimming upstream against serious obstacles.

38. A short summary of them should suffice. Most agriculture line agencies suffer first from their historical legacies; peasants remember field agents as tax collectors and then decades of failed projects. Both politics and structure now impede effective dialogue with the poor. The line agency is funded by the state, not by the poor; it must contend with its political limits in the budget process, state policies of cheap urban food, subsidies for exports, and other tax and monetary policies unhelpful to sustainable rural development.

39. The institutional framework of an agricultural ministry is also inappropriate for effective assistance to the poor. Technical training is useful, but far from sufficient. Such education must be balanced with institutional, cultural and ecological learning. Production quotas issued from top down encourage attention to those farmers easiest to reach. The locally vocal will also be served. Neither the poor nor the women are likely to be much noticed. Small numbers of field agents with limited mobility, time and resources thus find it usually impractical to assist the poorest of the poor, regardless of intention or public policy.

40. Some agricultural scientists and rural practitioners in the 1970s and 1980s realized the limitations of technical packages designed far away. Peasants were not resisting out of politeness or indifference. A new research process evolved in a few Latin American and African settings was termed farming systems research.12/ It began with the hypothesis that cognitive respect of household dynamics, not just single crop production mattered. Multi-crop systems often had a superior logic. A participatory process of field trials and field research developed which in the best of circumstances produced both useful innovations and mutual respect legitimizing new practices.

41. Rural credit reform provides an even clearer example of the institutional limitations of top down reforms. Recent initiatives in Ghana and Malawi indicate the systemic and cultural obstacles to an ideal solution as well as the central role credit will play in any solution. The absence of a sufficient and user-friendly rural credit system has been noted in many rural African societies. Loan arrears in existing systems have often been embarrassing. In the later part of the 1980s the comparative success of the Grameen Bank of Bangladesh began to be noticed.

42. The experiences of Ghana 13/ and Malawi 14/ suggest that, for rural credit to help the poor in large numbers, the process must involve the self-organization of the poor working with an independent banking entity, rather than village banks or funds subject to local politics. The Grameen

experience shows that participation and control are the keys to local resource mobilization.15/ Group lending and process are key to effectiveness, a social identity, and quality citizenship. Contrary to conventional banking ideology, collateral is not necessary because group suasion and regular supervision assure near total repayment if the group regards the institution as legitimate. Movement building starts with building small healthy foundations under the protection of Grameen Bank as an intermediate organization; centres of five groups work with branch offices. Equality and legitimacy are built together; sustainability grows as members regularly invest in and also buy shares in Grameen. In sum, it will be a process much like this, as other African examples have begun to show, that will allow rural poor the means to empower themselves.

43. A third area of national public policy which currently works against the poor and participatory development is the general macroeconomic framework of uneven, export-led growth, highly imperfect markets and highly unequal income and resource distribution. It has been argued that given how common and enduring such conditions are on the periphery of the world-system, they must be the logical products of the dynamic expansion of a system exhibiting both long and short-term cyclical behaviour and growing unevenly by technological change, commodifying more areas of life and expanding to new geographical regions. Is this the only possible path unless one has a substantial surplus of oil?

44. History has positive and constructive lessons as well. There was an important experiment in self-reliant development in Paraguay between 1815 and 1840.16/ Space here permits brief review only of the most successful long-term effort by once poor Scandinavian countries, an effort sustained for more than a century in which they moved from the periphery to the industrial core and now rank 2nd, 4th 6th and 11th in the world on UNDP's new Human Development Index, 1990. Member States may study what these societies did, a carefully staged process of selective delinking from England for a period of time while building relatively democratic politics and economics at home.17/ Important contrasts can be drawn with Irish and Uruguayan economic history, among many, following the advice of core affluent powers and therefore staying poor.

45. The policies themselves are not particularly surprising. Long-term success came from the quality, staging, and integration of economic and socio-institutional change. A summary of thirteen key elements follows. 18/

Economic Policies:

(i) An early switch away from primary products to processed products for export - ending enclaves and building dynamic links and a national economy.

(ii) Large-scale production working toward a local mass market.

(iii) Innovative, continuous readaption to the world market.

(iv) Broadbased, import-substitution industrialization.

Social and Political Policies

(i) Defeudalization - a smallholder policy and land reform so that agricultural structure does not impede.

(ii) Policies to produce moderate rather than gross inequality.

(iii) Income distribution and environment for saving and productive investment, not conspicuous consumption.

(iv) Developing a high average level of education.

(v) Public and private enterprise conditioned to take risk, and a functional domestic credit system.

(vi) Politically organized peasantry and labor party to counteract the weight of urban interests, the state bureaucracy, etc.

(vii) Spread of technological innovation to all sectors.

(viii) Increasing democratization from political development - creating thus a stable and legitimate political framework.

(ix) Appropriate infrastructure development interlinking agriculture and industry.

46. Each Scandinavian society followed a slightly different path. Denmark in the 19th century, for example, managed defeudalization, the switch to agroprocessing, folk schools with high levels of education, the self organization of rural co-operatives, and liberal politics. The export-led growth policies pursued by most African societies have in contrast produced extraverted growth at best that has blocked balanced development and generated inequality and fiscal crisis.

47. In sum, it is premature to offer prescription on the contours of prices, markets and balanced growth. Each society must undertake a sustained, comparative historical inquiry, build up its empirical base and social planning capacity and create the solid foundations for such change. It is to those foundations the report now turns.

SECTION III: INTERMEDIATE INSTITUTIONS: KEY TO SUCCESS OF PARTICIPATORY RURAL DEVELOPMENT

48. The core of the strategic argument for appropriate institutional decentralization and participatory development is a positive one. The current scale of external resources will not change much, so accelerating progress can only come by using available resources far more productively. The great and largely untapped sources for African societies are the labor and capital of many people at the local level. These are the poor, now marginalized by the market, by institutions, by geography and most of all by culture - patriarchy and stigmatization of the poor by which the non-poor psychologically divorce themselves and mystify the systemic interconnections of the creation of wealth and poverty. The poor do not invest more because they cannot do it with security of result. Participation thus has both utilitarian and ethical dimensions. The poor should control the processes of development in which they are involved in both because it is right and because such a social process produces optimal results for the society as a whole.

49. In this part of the Report, the key questions, therefore concern the best institutional environment in which small group efforts by the poor will prosper and grow in a sustainable and relatively self-reliant way. The discussion begins with the theory of mediation and intermediacy. Some recent experiences in decentralization then illustrate many of the obstacles and some of possibilities. The prevailing institutional terrain of formal, informal and third sector activities offers a host of strategic problems but also potential allies and some constituent elements of new social and institutional formations.

50. The experience of a member State shows that the rural poor need their own intermediate institutions as both service organizations and as a defensive shield from powerful political and economic forces.19/ Such intermediate entities, to be affordable or scale efficient, require the rural poor to organize into small groups working as a co-operative federation with one or more levels of service organizations. Individual poor households or single small group projects are not usually sustainable without a support system. The support system should be catalytic and capacity-building for the poor; at the same time it needs to defend the organizations of the poor.

51. The degree and nature of mediation varies with task and the level of antagonism and insecurity in the social system. No standard formula exists, yet there should be a conscious effort to relate task and scale of institutions. Large organizations, for example, cannot be expected to assist individual poor people. Effectiveness, here and elsewhere, is a function of a balance between power and legitimacy. All bureaucratic organizations exhibit some of the same generic drives; they pursue security, control and growth. Neither centralized political power nor centralized institutional power appear legitimate to the marginal poor.

52. It is not simply a matter of political power and a lack of democratic participation. Organizations also disempower by their work process and energy intensity. Organizations have standard forms to be submitted by deadlines; that requires literacy, transport and free time by would-be

users. Funding leads to reports and deadlines even within NGO projects; even one of the more competent intermediate organizations can find modest paperwork burdensome.

53. Appropriate decentralization is thus imperative on political, economic and cultural grounds. Yet appropriateness will be a function of the needs of the actors in the process. Recent African experiences with decentralization indicate that whatever the political configuration, if the poor are inactive, they will not be well served. 20/

54. The unsurprising conclusion from the decentralization experience of some member States of Africa is that the existing institutional terrain between the national level and the village tends to represent the prevailing social, political and cultural formations. In particular the party and bureaucratic elite as well as the well-to-do farmers and traders are likely to be well represented, if not directly active, in the implementation of public policy and "development" projects that are ratified by the larger system. Yet even in the most inhospitable environment there are spaces for remedial action. The underlying strategic principle can be stated in several ways: society is a composite of conflicting value systems. Intermediate institutions for the poor will have to interact with, build tactical and long-term alliances, defend against, and draw upon at least four groups of institutional actors: (i) line agencies of the state; (ii) state and local government; (iii) local political and economic elites; and (iv) local associations, NGOs, cultural groups, and similar independent group activities.

55. While there is some literature on the political dilemmas of small groups, there is apparently no serious study or collection of case material on the strategies of development-focused social movements in Africa; cultural, military and political mobilizations have been studied but their contexts are only partially comparable. So each venture should be considered in part an action-research project in contemporary history. Conventional society repeats the same mistakes endlessly, but social movements cannot afford to, so they must be effective learners.

56. All of the formal institutions in the arena have a history, a historical memory and a way that such history is articulated. Each new development federation will have to grow in a specific social and historical context. The people who know this history are the local residents. Part of the early preparatory effort must thus be participatory research, a joint venture to dig into their own history.

57. Line agencies are under many kinds of pressures as lower level bureaucrats with huge responsibilities and finite resources. Provincial and district personnel are sometimes indigenous to the area and/or develop some local loyalties. Such personnel, however, are often moved from one district to another, which expands the amount of organizational work for the intermediate organization. In either case the basic appeal should not be made on primordial loyalty but no logic and cost effectiveness. The existence of a competent development federation of the poor makes the job of technical line agency personnel easier and more efficient. Development federations will find it possible to build up their own technical and market knowledge upto a point. Certain roles will need to be played by larger institutions. There is thus a natural division of responsibility.

Co-operative links between the two could be built in a mutually beneficial manner.

58. Provincial, district and local government are usually described as comprising those segments most desirous and successful at acquiring political positions for private agendas. There are classic case studies on this theme for some member States of Africa, inter alia, and on the general reproduction of inequality in Africa. 21/ Yet like institutions in all areas of society, local governments are social creations at a particular moment in history. These levels of state structure are also under pressure to mediate between state demands and local realities and to respond to local ecological crisis and famine. Development federations of the poor need at least political space and tolerance without cooptation. In most dialogues there should be some areas of common interest. It cannot be prideful to preside over a stagnant community with vast human needs unmet; conversely there are multiple community benefits in most real development activities. There is clearly room and appeal for an alternative vision.

59. Much of the same dialogue can be attempted with local economic elites whose interests may be affected sooner or later. Flexible strategy is in order. Inevitably a few will view any development movement by the poor as a direct threat to control over credit and market systems. In some cases resource redistribution is inevitable. In such situations timing and style are of the essence. Worth serious study is the negotiating and networking style of the Grameen Bank in Bangladesh which must confront rich landlords, moneylenders and patriarchy on a regular basis. 22/ There are important lessons there on the power of group suasion, of networking in the power structure and building healthy foundations and vertical alliances before challenging power structures. Yet there are in each society many potential allies and institutions, or fragments thereof, that could take on specific local responsibilities, some nearly immediately and some with varying amounts of further training. The world of African NGOs is highly diverse. In general there is little evaluation capability built into conventional NGO activity. The personnel for the new intermediate institutions must go through regular evaluation and have opportunity for advance and reward. One cannot sustain a high quality service organization on good values and voluntary effort.

60. As a preliminary step to putting several institutions and activists together to create a draft curriculum for political, institutional and cultural education and community organizing training, it would be well to prepare some institutional profiles and assessments of current training and field activities of local NGOs. By melding the work of savvy indigenous social critics, many of the key people, institutions and evaluation questions for this initial training will become visible.

61. With a strategy to survive environmentally and with at least minimally qualified staff, it is time to posit a vision of the ideal intermediate institutional framework, how it might be funded and what tasks it should take on. The institutional vision begins with a division of tasks: the number and complexity of tasks suggests at least two levels of support organizations for the development catalyst and local groups or base organizations.23/

62. Tasks might be broken down like this. A larger number would work directly with development catalysts and local groups to provide day to day assistance. One such institution might help eight to fifteen local groups with a full-time staff of three to six. These paraprofessionals should not be expected to handle very technical issues or the bureaucratic needs and the political problems created by outside agencies and other social forces. The second level of the development federation would take on these tasks with technically and legally skilled personnel. Depending on population and terrain there might be one or several per district. For those involved in primary health care, this institutional model will look very familiar.

63. Resource and personnel to begin these two kinds of intermediate organizations will have to come primarily from external sources at the beginning. As quickly as possible local people should assume many but not all roles. Many kinds of detailed social learning inherent to any successful project activity depend upon people making others involved sensitive to local realities. Yet it is also important that some staff represent varied cultural backgrounds. Young school leavers with rural roots and poor urban prospects will respond to a socially meaningful challenge. Development academics and line agency personnel would benefit from such a sabbatical yet they might resent some of the necessary training. The best of indigenous and foreign NGO personnel could be appealed to as could some of the technically qualified volunteers from various countries.

64. Initial funding might be hard to find but would not be very great. Salaries would be pegged to local conditions. Costs per person would be far lower than government or even NGO activity. At a rough estimate, one local federation could total 103 positions: one central resource entity, eight to ten local service organizations each assisting multiple development catalysts and base organizations. It could cost in the range of $50,000 to $60,000 a year, plus start up and activity costs like a line of small credit. Multiple forms of empowerment would reach 5,000 to 8,000 people. Over time, perhaps as soon as eight to ten years (and thus a good evaluation criteria) such federations should become relatively self-reliant. Self-reliance here means that local organizations should be able to generate new resources and income and villagers feel so well served by the federation that they are willing to invest regularly in its maintenance.

65. Funding will not be the only hard challenge for the intermediate organization. Working oneself out of a job is always a severe challenge; here the task is, "to exert influence over people for the purpose of building their capacity to control their own lives"24/ At the same time the social form organization must not reproduce new forms of elitism; it must instead be a nurturing, post-patriarchal work culture supporting both specific task achievement and the creative, risk-taking behaviour needed to overcome many ambiguities and obstacles. The specific tasks can be grouped under eight headings: service delivery, education; community organization; advocating and expediting; referral; record keeping; data collection and analysis; and demonstrating and testing. 25/

66. Community organizing is the central task of the development catalyst and thus an issue in Section IV. Here the support roles begin with an initial formalized training period. The Grameen model has much to recommended it. Learning by immersion and participatory research should

preface any formal field assignment. If the development catalysts are recruited locally, there are multiple advantages; skills learned stay in the community and can be built on indefinitely. The village does not lose the social investment of other villagers at whatever pace they become involved, since the catalyst remains. Yet it is crucial that the base organization develop its own leadership skills and development vision. In some situations there may not appear right away an interested and capable local citizen. Experiments have also done well with couples and other individuals with rural backgrounds.

67. Besides training and facilitating capital and resources for true development catalyst, much of the work of both levels of intermediate organizations falls into the category of education. Development is a permanent learning experience, not the transfer of specific technical knowledge from one more learned to one less so. One means of empowerment is books. Each development federation needs a core research and social change library and each local centre a modest library of practical titles and others in appropriate languages to give moderately literate villagers the chance to build their dreams. Literacy classes should be considered in every possible venue where local school systems falls short.

68. Expanding the primary health system must be another strong focus. Intermediate organizations need to facilitate funding and training of village health care workers, agitate with the national health system and any other potential donors for the needed clinics and supplies, and engage in open-ended advocacy for preventive approaches to medical care. There are a number of good anthologies on participatory health practices and system.26/

69. Literate and healthy citizens, contemplating new productive possibilities, improving market conditions, or alternative credit mechanisms, face a very major series of obstacles in the legal system, especially as articulated by local elites to preserve privilege and exclude the poor. Without challenge, mobilization can be forestalled, information cut off, local group enterprises impoverished, etcetera. A growing field of literature on law and development has, however, marshalled case studies and practical procedures to show how to get paralegal resources into the hands of base organizations. Each development federation needs such skills, so it should facilitate and support creation of regional training centres. There are likely to be substantive local conflicts from time to time.

70. Many other kinds of educational capacity-building will keep the development federation personnel busy. More technical aid is needed. So building knowledge on African and global experience in appropriate technology is called for. Another task will be to monitor many kinds of regional and national economic conditions. Over time when good bonds of trust develop between intermediate and base groups, the former will also get involved in more formal local participatory research on specific economic issues.

71. One other area of educational capacity-building merits attention here as in Section IV: If the development federation is trying to promote real development and thus an equitable, post-patriarchal and ecologically sustainable culture, it must encourage an internal work culture and practice to match its publicly stated goals. This means that in daily interchanges,

in meetings, in work assignments, in hiring, in promotion and all other organizational processes there should be no discrimination of any kind - gender, ethnic group, age, pedigree and so forth. Indeed there should be regular internal consciousness-raising on these difficult terrains. Africa must not marginalize half its society because they are women. A representative number of visible women professionals in the development federation will send powerful development messages throughout the region. The absence of women staff will remain a sober commentary on the quality and potential of the federation to end rural poverty.

72. The stress on the educational work of the intermediate organizations is not to downplay the activities more directly focused on material livelihood. Local organizations will identify small credit, infrastructure development, environmental regeneration, small industry, agricultural marketing and similar projects as being primary. It is important in any group effort to have successful income generation early in its development because long-term volunteer efforts are very hard to sustain. There are a number of institutinal models available if local groups decide on one type of project. Each federation must build its education on alternative credit experiences, Grameen and others. Yet it is not clear that each federation should become just a local office of a larger African version of a group credit effort. The ORAP centres of technology transfer, the rural service and growth centres in certain member States suggest different models. Prescription from far away seems illogical given the impact of local material conditions and felt needs on federation activities.

73. That the resulting organization may be a hybrid - part school, part bank, part agricultural research centre, part something else - is not a bad idea. One consideration is costs. At the local and intermediate levels most districts cannot afford very many development service workers in the short run. It is not realistic for a small number of local groups to meet the costs of a health care worker, local bank agent, and agricultural extension agent. Local organizations need to build their own skills in all areas and expect the development federation to have greater skills and the ability to facilitate access to even greater specialized knowledge and help.

74. A second compelling argument for a hybrid form is that it provides the best building block in creating the capability for socially responsible regional planning. The internal dialogues in the federation and between the federation staff and local groups will uncover competing priorities and the relative intensity of each. The federation's efforts to create organic intellectuals and democratic practice should lead to a larger social visions, to multi-federation dialogues and to regional planning efforts. Such efforts will be far more legitimate and practical than elite blueprints based quite often on brief rural development tourism. The poor need balanced regional development. The best way to get such results is to take charge of both planning and implementation.

75. Evaluation of a development federation over time will not be easy, as many products are not easily quantifiable. Yet the federation and its staff must be accountable to the people it serves, to its initial funders and to society. Not-for-profit third sector activities fall in the cracks, but interdisciplinary researchers have continued to improve the theory and

practice of social programme evaluation.27/ Some of their findings are summarized here because many still think of evaluation as a discrete, post-project exercise to quantify results and assign blame.

76. Evaluation is a sociopolitical process involving stakeholders and evaluators in a continuous construction and reconstruction of the social product and its meaning. Data collecting and valuation cannot be separated or value-free. Local perspectives and participative process are intrinsic if the results are to have local utility. Evaluation is never a finished product but rather an open-ended multi-directional educational effort that should raise more questions than it answers. Evaluation should be a collaborative exercise in educational empowerment and sharing accountability. Yet there also need to be mechanisms of peer review, redress, and some boundaries of expected performance, at least until local groups have established their own sense of standards.

77. The practicality of such development federations rests in sum on a number of variables: the energy and ability of a group of activists to raise initial funds; the sophistication of political strategies and negotiations with other institutional actors; and the quality of services provided and the material success of local groups that would provide open-ended funding. Leadership is also crucial; in a review of 18 of the most successful projects worldwide, quality leadership played a big role. 28/ The federation vision has sought to learn both from success and from the failures of recent decentralization experience. One new survey of such cases concluded with four principles of effective practice: appropriately small size to make local self-government practical; wide latitude of autonomy to meet expressed needs; formal legal expression that cannot be unilaterally revoked from above and primary accountability to local people.29/ The federation meets three of four criteria. It would mutually be vulnerable to state repression and thus, as discussed, has the need to network in the power structure.

78. Feasibility depends in part on local legitimacy and part on strategic wisdom and creativity as discussed, but there are also more general environmental influences that the federations can constructively modify. Federations can create a range of development education material for local schools and media, especially case material on success. They can do a variety of investigative reporting to see where social services and markets are particularly flawed and start in motion change processes. Some societies call this the ombudsman role. They can make particular effort to break down the cultural barriers hobbling women. It is clear from a generation of experience that even small successful women's projects run into chauvinist boundaries.30/ Unless this becomes a major issue in development education and public advocacy, the work of the development catalyst at the local level will remain very difficult. That work, in any case, will not be at all easy, as Part IV now chronicles.

SECTION IV: LOCAL ORGANIZATIONS AND CITIZEN EMPOWERMENT FOR PARTICIPATORY RURAL DEVELOPMENT

79. The local practice of participatory development has been studied and illustrated by a body of literature and case material that has grown appreciably over the 1980s. 31/ Thus this section gives short shrift to intellectual debates and turns to the complexities of different kinds of marginalization and disempowerment processes at the local level. For if participatory development is to succeed in practice it cannot mystify or ignore subtle aspects of politics, economics or culture. Practice then begins by participatory research and preparation by the poor for small group action with the assistance of a development catalyst. Group formation, internal work culture and external economic and political strategies of small groups are the subsequent practical topics.

80. Africa has always had many forms of group activity. Precolonial institutions included the clan, age-set, brotherhood and diverse communal aid efforts. Colonialism and the market fractured some and helped generate new cultural, political and economic ties. Many kinds of patrilineal and matrilineal extended families survive to this day. Some households exist in nuclear families, but none is an island unto itself. For production, reproduction, and circulation it is common to find variable networks of co-operative activity. Thus the contexts of poverty will not be just lack of labour power, productive resources or market outlet, they will also include past and present social ties. Such ties may be preserving a modest state of livelihood, working over time to expand livelihood in a predictable way (as in some pastoral societies), or conversely maintaining or expanding cultural or structural inequality. Samples of how such social ties reproduce themselves in development efforts illustrate some of the major challenges development catalysts face in entering villages and trying to mobilize the poor for self-help.

81. Typically one or more forms of inter-personal and local institutional inequalities interact with ecological and resource limits and with a series of more systemic inequalities created by cash cropping, commercialization, imperfect markets, state investments and growth projects. In brief, analysis of inequality demands social and systemic context. Clientage exists in many forms, routinized with long-term reciprocities expected in extended families or reproduced in seasonal labor ties. Unequal market relations and service access show up in rural trade of consumer goods, in money-lending, and in selling to oligopolists or state marketing agencies. The talents effect - those that have, get - is particularly evident in unequal cattle holding, unequal transport, credit and storage facilities, and the use of political or cultural office. Within the family or clan, patriarchy and age discrimination work to disadvantage women and the young.

82. Learning is the first stage of participatory practice. It precedes any form of institution-building or resource transfer. The quality and quantity of learning far exceeds that of conventional project work. Bright ideas and quality citizenship by motivated people are to be used in place of high technology and foreign capital to end poverty. Learning has content, process, style and purpose. Here the purpose is empowerment of the poor, to improve their own livelihood through consciousness raising, skill

development, institution-building, labor and investment. This discussion moves first to some of the preliminary curriculum for the catalyst and then to the steps and style of participatory research.

83. The word curriculum has an unfortunate connotation of having bounded edges. Education for the catalyst has no bounds - philosophy, history, culture, art, institutions, psychology, material culture and so forth. Yet there are some aspects of personal style and some analytical terrains that need at least some coverage. There is space for a few issues to be noted here. In every region a catalyst will face villages with specific cultural patterns and historical experience with markets and aid projects. Yet villages will not have an endless number of internal political configurations. It is both possible and useful to consider some generic ways in which power and resources are organized and the kinds of strategic questions one might face in entering such a village for dialogue with and organizing by the poor. Reflecting on such a village typology will at least start consideration of how organizations of the poor could survive and prosper in different kinds of non-democratic settings.32/

84. The relatively isolated hierarchical village with little market contact is still fairly common. Power rests with an oligarchy which controls allocation of most productive resources and uses patronage and religion as cultural justification for inequality. The poor live at or near subsistence and feel resigned to or satisfied by prevailing security measures. Yet their situation is not stable as the radical changes of market forces attest. Elites may look upon any outsider as a threat. Focus of initial education and group effort may have to be a cultural, religious or even athletic activity. The catalyst needs to work slowly from where people are. All cultural systems have development components.

85. Religion, for example, is not necessarily a force for the status quo and a support of vested interests. There are examples of social mobilization using elements from a number of major traditions. The key point is not to start with a vision of dramatic cultural change but to start where people are and use religion as a terrain of consciousness raising. The catalyst must prepare well:

> know the authentic teachings of people's religion;
> understand the progressive role of religon in the socio-historic context in which it came to a society, and discuss these with the people;
> look for positive values in people's religion in today's context, and invoke them to promote peoples' action in a progressive direction without rejecting their faith;
> expose false teachings of religion by vested interests, and initiate reflections by the people on the motivation behind such abuse of religion as a part of an awareness-raising effort. 33/

86. In relatively egalitarian and isolated social units or villages, there are potentially less immediate problems. There is shared poverty with communal mechanisms more or less functional depending on drought and ecological limits. People are likely to be used to co-operative efforts for

specific purposes and open to more. The obstacles are going to be more technical and ecological than social in nature. Health and literacy initiatives may be well received. A greater challenge for the catalyst will be working through the trade offs for different levels and kinds of self-reliance. The logic and benefits of the prevailing cropping system must be clear before suggestions of changes that greatly diminish self-reliance. Yet self-reliance will lessen as market pressures grow, so the implications of each stage need clarification for equity and sustainability.

87. There are more and more villages of recent creation. These immigrant villages reflect local economies' influx or transition around major cities or new transport links. Sadly as well such villages are also at many border areas, signifying the prevalence of armed conflict and political oppression. There has been a general approach to such settlements called disaster relief, treating residents as incompetent victims. An extremely valuable evaluation of programmes for Ugandan refugees in Sudan also illustrates the effectiveness of participatory research in mobilizing refugees to new ventures. 34/ The catalyst must be skilled at social bridge building as base organizations will not grow quickly from multiple cultures.

88. The stratified smallholder village, whose activity is geared to exporting, creates substantial political challenges for a catalyst and small group effort. Social position and identity may well be defined in small increments of wealth dividing middle and smallholders. Multiple outside links for inputs and markets would create more vertical alliances for village elites; they would also be more conscious of the implications of local social change. The poor are likely to lack productive resources and thus to hire out their labor at whatever local wages are possible. This is a particularly conflictual environment for a development catalyst, one that require long-term vertical and horizontal development education, defensive alliances and modest initial steps.

89. Africa has many communities where the resource base is now so poor that male members emigrate for extended periods leaving women the predominant food producer. In Quthing district of Lesotho three-quarters of 18,750 households were women-headed. Most fared poorly even with remittances from husbands. 35/ There are even more resource and environmentally stressed villages where the catalyst must invest great energies into tapping a resource network for alternatives, while at the same time exploring the practicality of small-scale ecological renewal and the political economy of why there has not heretofore been incentive for such activity.

90. Africa has one further type of local community, one on or near a plantation and controlled by it. It is a particularly nondemocratic political culture. A development catalyst or even one nearby development federation has no immediate chance for change. A longer process of multi-level education on worker-owned and managed enterprises - their comparative productivity, equity, and institutional effectiveness - must persuade various state actors. Real development in most situation is not quick and easy.

91. This small survey into one area of the eduction of a catalyst (promoter, animator, etcetera in other studies) illustrates again that there

is no substitute for substantial local learning if one wants even to understand the issues, never mind implement sustainable solutions. Thus with a finite amount of such educational preparation, the catalyst can only hope to be partially prepared. A crucial consideration then becomes the psychological disposition, confidence, and interpersonal skill of the catalyst, habits of a lifetime but also skills than can and will improve with practice.

92. These issues of style have been the subject of various workshop discussions.36/ Honesty in all communication is one element. The goal is empowering education. Lecturing, leading, providing the answers, being autocratic or partisan or disparaging, these are not empowering interactions. A catalyst enters a community to share as a friend, even a model, is comfortable with his (or her) limits, admits mistakes and ignorance, and seeks through more and less organized ways to create the chance for educational dialogue on felt needs and problems, how they have been addressed or ignored and what might be alternative options. It is not a process of guiding or manipulating but of facilitating; that is truly a fine line, an art that will take practice.

93. A catalyst, after as much reflection in these and other diverse issues of substance and style, enters a village for an initial period of observation, inquiry, dialogue, networking and overall exploration. The process is termed participatory research, a mutual dialogue leading to a social construction of a shared reality. The techniques and arenas vary widely from small group discussion and individual dialogue to public meetings, community seminars, audiovisual material and popular theater and even educational retreat camps. There is now a wide body of case material and practical literature to supplement the classic study of Bhoomi Sena. 37/ The common goal is a conscientization: a process "in which men, not as recipients but as knowing subjects, achieve a deepening awareness of the sociological reality which shapes their lives and their capacity to transform that reality.38/

94. There are clearly many topics that could serve usefully to deepen sociological awareness: human need; conflict; process and relationship; family social relations; community relations and much else. Marginalized people, for example, live in a world of conflict. Small group discussions could begin with vignettes to sharpen a collective consciousness about patterns of conflict, conflict resolution, oppression, winners and losers. Types of conflict, arenas of conflict, uneven access to resources, the legal basis of oppression and much more come into such discussion. Are women to hold separate discussions indefinitely and thus reinforce prevailing discrimination? Patriarchy will not end overnight, but it must start to end at this stage as must other forms of discrimination.39/ A healthy system begins with healthy foundations.

95. From participatory research to small group formation is the huge terrain of community organizing for which no short discussion does justice. Individual poor households fare poorly against concentrated power. A small group of 8 and 15 households, acting together to build group skills to gain access to resources, can expand productive activities and defend their material and political gains. Effective groups are not appointed but instead are self-selected through a period of shared struggle and learning.

A catalyst may help to facilitate this process, some by planning a sequence of steps, some by use of spontaneous situations.

96. Through such a process participation becomes real, the logic of joining is clear, and people develop a personal stake in the outcome. Groups come from comparable backgrounds and select leaders with similar interests; a major survey of more than 200 groups in Asia found that the key to successful groups was not the advent of credit or new technology but in fact the ability of groups to prevent elites from joining and dominating. Leadership evolves from group process and is earned. Groups organize for felt needs, goals that members invest in emotionally. Internal democratic process, rotating leadership, continued education and some early material success work to build legitimacy and sustainability.

97. The number of needs will clearly be quite large. It has become fashionable to suggest that small loans through group channels for productive purposes is an efficient way to facilitate group process and advance livelihood. The Grameen Bank experience and others shows that the combination of group suasion and quality oversight does produce material gain and timely loan repayments. It is not clear in the African context, however, that credit is the key missing ingredient. Land, labor, market access, ecological decay, and patriarchy are often the keys. Loans may be crucial in making early tangible gains, but gains that cannot be protected from husbands or that are wiped out by inflated prices of consumer goods will not continue to appeal.

98. It is thus the group process as part of a federation of citizen efforts that holds out real hope to attack the serious and entrenched problems of rural Africa. A certain critical mass is necessary to start breaking down patriarchy or clientage, to set up and sustain an independent credit and marketing network, to maintain local infrastructure and build new social services, or to invest the labor necessary for pressing large-scale ecological renewal. Citizens do these things. The African future will be a social construction by some at the expense of others, or it will be a social construction by citizens for the good of all, or it will be a balance of the two. It will be up to development catalysts to see how healthy that balance can be if it has to be a balance.

SECTION VI: CONCLUSIONS AND RECOMMENDATIONS

Conclusions

99. The discussion in the preceding four Sections shows that a global consensus has emerged in favour. Participatory Rural Development (PRD) in Africa and elsewhere. It is a complex and yet compelling imperative and requires, inter alia, raising the consciousness of the hitherto excluded majority of the population; otherwise known as rural poor. Their poverty is both structural and conjectural. A systems approach, rather than a fragmented one, is needed to deal with rural poverty and accelerate PRD.

100. But, Africa is an uneviable position. Its member States are terrians of struggle between contending forces with self-interested agendas. Despite this handicap, the continuing socio-economic crisis in Africa provides the rationale for national institutions, including Government, with legitimacy, trust and accountability for PRD. In PRD, there has to be a trade-off between participation and quality. The democratization of development must draw or both participatory processes and substantive expertise.

101. Inter-disciplinary education is the central focus of every stage of PRD. Such education would involve at least five areas of study: (i) historical sociology; (ii) global economic system; (iii) area studies especially anthropology; (iv) political economy; (v) organization studies and one or more technical subjects. Much of this education will have to be part of self-development since there is no such formal academic programme. A core element in all such educational efforts needs to be the lessons of success from within Africa.

102. To make inter-disciplinary education of practical use, the existing formal institutions of the member-States (such as the Ministry of Agriculture, Organizations concerned with rural credit, Research Institutes) will have to be reformed. Similarly, the macro-economic framework of the member States will be to reconsidered and aligned with the requirements of PRD. Africa may deliberately decide to remain "rural", de-link from the decades of dependent development and bondages and develop, with equity and self-reliance. It is impractical to suggest new contours of prices, markets and PRD as a standard blueprint. Each state has to undertake a sustained comparative historical inquiry, build up its empirical base and social planning and create the solid foundations for PRD.

103. The state may create an enabling climate at national level by appropriate decentralization. This is necessary but not sufficient. The rural poor themselves have to build up their intermediate institutions as both service organizations and as a defensive mechanism. Such intermediate entities, to be cost effective, require the rural poor to organize into small groups working as a co-operative federation with one or more levels of service organizations. The federation should be catalytic and capacity building for them and defend their interest.

104. The intermediate institutions of the rural poor will have to inter-act with, build tactical and long term alliances, defend against, and draw upon at least four groups of institutional actors: (i) line agencies of the state; (ii) state and local Government; (iii) local political and economic

elites and (iv) local associations, NGOs, cultural groups and similar independent group activities.

105. These intermediate institutions of the poor may serve at two levels. A larger number of them will work directly with PRD catalysts and local groups and provide day to day assistance. One such institution might help eight to fifteen local groups with full time para-professionals. The second level of these institutions would handle very technical issues relating to health, law, credit, or the bureaucratic needs and integration of women, education or work ethics political problems. Depending on population and area there might be one or several per district. Such institutions, at both levels, may be a hybrid-part school, part bank, part agricultural research, part lobby and so on. The performance of these institutions should be subject to evaluation, which is an open-ended multi directional effort. It should be a collaborative effort in educational empowerment and sharing responsibility.

106. These intermediate institutions of the rural poor need also to collaborate with the existing local organizations, based on clan, age-set, brotherhood and diverse communal aid efforts. These local organizations may not initially be receptive to the approach of PRD. They have to be gradually persuaded to endorse and support it through education, which precedes any form of institution-building or resource transfer. Education would lead to conscientization of the leaders of the local organizations and empowerment of the rural poor. This should help a new social construction, after a process of constructive destruction, for the good for all or at least a balance of the two. It will be up to PRD catalysts to see how healthy that balance can be and how fast it will lead to PRD of Africa.

Recommendations

In the light of the discussion in Section I to IV and the conclusions the member States may wish to consider the following recommendations to:

(i) institutionalize a new form of state-citizen dialogue, making provision for participation of the rural poor and other disadvantaged segment of the population such as women for self-reliant rural development, with equity;

(ii) provide scope for healthier state-rural relations by political decentralization. By redesigning power and implementation effectiveness, as well as due to resource limitations, the logic and practicality of decentralization will grow, opening space for new or more active forms of associational life such as intermediate institutions;

(iii) build in participatory practices into institutional reform and/or encourage work culture in new institutions, into policy making, implementation and evaluation;

(iv) facilitate rural poor to build up their own intermediate institutions as both service organizations and defensive mechanism. They need to organize themselves into small groups, working as a co-operative federation for such intermediate organizations to be viable. An organized poor is the essential

foundation and support for participatory rural development. A federation of the organized poor may be involved with agricultural specialists working for intermediate service organizations, which mediate farming systems research. Over time many line agency local staff might move to intermediate organizations for more secure, development career. Federations would take a larger role in line agency policy making to assure more gender, class, and regional equality and more focus on organic, self-reliant agronomic practice and ecological renewal. Current reform efforts in agricultural research and credit go part way, illustrating the limits of reform created from the top down alone;

(v) consider the possibility of carefully staged process of selective de-linking from the decades of "dependent development" and bondage while building relatively autonomous, if not self-reliant economic base for participatory rural development at home;

(vi) provide rural credit to help the poor in large numbers. The process should involve self-organization of the poor working with an independent entity rather than village banks or funds, subject to local politics. Participation and control are the keys to mobilization of local resources;

(vii) adopt effective development education policy linking (a) subsistence survival given demographic trends, (b) ecological survival and sustainability, (c) financial sustainability, (d) state and local employment and its quality and (f) cultural health;

(viii) take concrete steps to make formal educational institutions more responsive to the development needs of rural Africa. Teacher training and the basic curriculum need to put more emphasis on the uses of literacy, numeracy, basic science and health issues for rural careers in farming, agro-industry, social and market services. Every line agency should build in career training modules on development and challenge and reward personnel for further self-directed learning and leadership initiative;

(ix) give tangible rewards to faculty-members doing field research leading to practical solutions to rural sector's development problems;

(x) build up skills and institutions at the local and regional levels. Young school leavers, with idealism, could be particularly open to such a challenge for PRD.

NOTES

1. The best guides to this vast literature are Guy Gran (1987) An Annotated Guide to Global Development (Olney, MD: Resources for Development and Democracy) and his ongoing review columns in World Development. The important recent study of Mondragon is WF and KK Whyte (1988) Making Mondragon: The Growth and Dynamics of the Working Co-operative Complex (Ithaca, NY: ILR Press).

2. Michael Stahl (1990) Constraints to Environmental Rehabilitation Through People's Participation in the Northern Ethiopian Highlands. Geneva: UNRISD, Disc. Paper 1.3.

3. Grameen type projects are spreading rapidly in Africa. An encouraging report on the People's Bank of Nigeria by Newslink Africa is reprinted in the September-October 1990 issue of Development Forum.

4. Classic case material appears in R. Bromley and C. Gerry, eds. (1979) Casual Work and Poverty in Third World Cities (New York: John Wiley).

5. John Illiffe (1987) The African Poor: A History (Cambridge: Cambridge UP).

6. Her seminal article on peasant-state relationships first appeared in Review of African Political Economy, 10 (1978). English readers will also find it in Judith Heyer et al., eds. (1981) Rural Development in Tropical Africa (New York: St.Martin's).

7. See Alain de Janvry (1981) The Agrarian Question and Reformism in Latin America (Baltimore: Johns Hopkins UP), pp. 141-151.

8. The pioneering study on this basic theory of macro-political economy is on Brazil. See Peter Evans (1979) Dependent Development (Princeton, NY: Princeton UP).

9. See recently Azzam Mahjoub, ed. (1990) Adjustment or Delinking? The Africn Experience (London: Zed Books).

10. An important recent review is Michael Bratton (1989) "Beyond the State: Civil Society and AssociationalLife in Africa," World Politics, 41,4:407-430.

11. See in particular Guy Gran (1987) op.cit., n.1. Besides the review column in World Development, regular review is suggested of IFDA Dossier, Rural Development Abstracts, International Development Abstracts and some of the important theoretical and area studies journals.

12. For basic discussions see William Whyte (1981) Participatory Approaches to Agricultural Research and Development (Ithaca, NY: Cornell Rural Development Committee) and Peter Matlon et al. (1984) Coming Full Circle: Farmer's Participation in the Development of Technology (Ottawa: IDRC). The current globalliterature is well covered in Rural Development Abstracts.

13. World Bank (1989) Staff Appraisal Report - Republic of Ghana Rural Finance Project (Report 7554-Gh., April 19), unpublished.

14. ECA, Report to the Sixth Conference of African Ministers of Social Affairs on Organization of Credit Schemes at Grassroots Level for Rural Development in Africa, Addis Ababa, 1990, pp. 10-12.

15. The literature on the Grameen Bank is now quite large. The best long study is Andreas Fuglesand and Dale Chandler (1987) Participation as Process - What we can learn from Grameen bank, Bangladesh (Oslo, Norway: NORAD).

16. See in particular Richard Alan White (1978) Paraguay's Autonomous Revolution, 1810-1840 (Albuquerque, NM: Univ. of New Mexico Press).

17. The basic recent study synthesized here is Dieter Senghaas (1982 Ger., 1985) The European Experience: A Historical Critique of Development Theory (Warwickshire, UK: Berg Pub. Ltd.).

18. Drawn from ibid., pp. 88-91.

19. See, for example, Fatima Mahmoud (1984) The Sudanese Bourgeoisie: Vanguard of Development (London: Zed), p. 83ff. Also see the work of Abdalla Elhassan in a 1985 Univ. of East Anglia dissertation and an article in Tony Barnett and Abbar Abdelkarim, eds. (1988) Sudan: State, Capital and Transformation (Beckenham, Kent: Croom Helm).

20. See (i) Michael Bratton (1987) "The Comrade and the Countryside: The Politics of Agricultural Policy in Zimbabwe," World Politics, 39,2:174-202; (ii) Sheldon Gellar (1990) "State Tutelage vs. Self-Governance. The Rhetoric and Reality of Decentralization in Senegal, "pp. 130-147 in James Wunsch and Dele Oluwo, eds. The Failure of the Centralized State: Institutions and Self- governance in Afirca (Boulder, Co: Westview); (iii) to sample the theoretical diversity, old and recent items include: Andrew Coulson (1982) Tanzania - A Political Economy (New York: Oxford); Issa Shivji, ed. (1986) The State and the Working People in Tanzania (Dakar CODESRIA); Jannik Boesen et al., eds. (1986 Tanzania: Crisis and Struggle for Survival (Uppsala: SIAS); John Sender and Sheila Smith (1990) Poverty, Class and Gender in Rural Africa: A Tanzanian Case Study (London: Routledge); and Ernest Maganya (1990) "The Role of Popular Participation in Meeting the Challenge of Recovery and Development in Africa, the Case Study of the United Republic of Tanzania" (Addis Ababa: UN ECA, E/ECS/ICPP/90/35) and Coulson argues, op. cit. p. 255.

21. See Michael Schatzberg (1980) Politics and Class in Zaire: Bureaucracy, Business and Beer in Lisala (New York: Holmes & Meier) and (1988) The Dialectics of Oppression in Zaire (Bloomington, IN: Univ. of Indiana); Thomas Callaghy (1984) The State-Society Struggle: Zaire in Comparative Perspective, chapters 5-7 (New York: Columbia UP); Michael Bratton (1980) The Local Politics of Rural Development: Peasant and Party-State in Zambia (Hanover, NH: Univ. Press of New England); and E. Wayne Nafziger (1988) Inequality in Africa: Political Elites, Proletariat, Peasants, and the Poor (New York: Cambridge UP).

22. See A. Fuglesang and D. Chandler, (1987), Participation as Process: What we can learn from Grameen Bank, Bangladesh, Oslo, Norway, NORAD and Atiur Rahman (1986) Impact of Grameen Bank Interventions on the Rural Power Structure (Dhaka: Bangladesh Institute of Development Studies, Grameen bank Evaluation Project, WP 2.

23. The model that follows draws heavily on my own previous work Guy Gran (1983) Development by People (New York: Praeger), chapters 6-7 as well reflections on the Grameen Bank and that of the Mondragon co-operative federation in Spain.

24. David C. Korten and Felipe Alfonso, eds. (1981) Bureaucracy and the Poor: Closing the Gap (West Hartford: Kumariam Press), p. 220.

25. A typology first suggested in Milton Esman et al. (1980) Para-professionals in Rural Development (Ithaca, NY: Cornell Univ., Rural Development Committee.

26. See Gran (1987) op. cit. (n.1) for leads to many and always consult Assignment Children.

27. See, for example, Egon Guba and Yvonna Lincoln (1989) Fourth Generation Evaluation (Newbury Park, CA: Sage).

28. Guy Gran (1983) "Learning from Development Success: Some Lessons from Contemporaty Case Histories" (Washington: NASPAA; WP 9).

29. Dele Oluwi (1970) "The Failure of Current Decentralization Programs," pp. 79-99 in James S. Wunsch and Dele Oluwu, eds. op. cit. (n. 20(ii))

30. A particularly fine collection of cases is Shimwaayi Muntemba, ed. (1985) Rural Development and Women: Lessons from the Field (Geneva: ILO/WEP, 2 volumes).

31. The following on practice of participatory development are particularly helpful: Koenraad Verhagen (1984) Cooperation for Survival and (1987) Self-Help Promotion (both, Amsterdam: Royal Tropical Institute); and John Burbidge, ed. (1988) Approaches that Work in Rural Development (New York: KG Saur). Comments on many recent texts can be found in Guy Gran (1990) "Book Notes," World Development, 18,8:1183-1190.

32. Some important work on this was done by Leen Boer (1982) "The Variety of local contexts of participatory development projects: an attempt at systematization, "pp. 126-183 in Benno Galjart and Dieke Buijs, eds., Participation of the Poor in Development: Contributions to a Seminar (Leiden: Institute of Cultural and Social Studies, Leiden Development Studies 2). The following draws on this and the authors previous study (1983) Development By People,pp. 189-195.

33. Anisur Rahman (1988), The Challenge of Promoting People's Self Reliance: Highlights of a Regional Workshop of Trainers in Participatory Rural Development, ILO, General (ILO Programme on Participatory Organizations of the Rural Poor), p. 12.

34. Barbara Harrell-Bond (1986) Imposing Aid: Emergency Assistance to Refugees (New York: Oxford UP).

35. ECA, Report to the Committee of Inter-Governmental Experts of the Lusaka-based MULPOC on Effects of Migrant Mining Labour on Rural Development, Particularly on Agrarian Productivity in the Southern African context, Addis Ababa, 1990, pp. 14-19.

36. Rahman, op. cit. (n. 33), pp. 21-25, for example, has much of use.

37. The Bhoomi Sena case appeared in Development Dialogue, 1979, 2:3-70 and has been reprinted in G.V.S. De-silva et al (1988) Towards a Theory of Rural Development (Lahore, Pakistan: Progressive Pub.). Material on participatory research comes from many sources, notably the Indian Social Institute, the International Council of Adult Education (Toronto), and the ILO/WEP; new citations appear regularly in an irregular newsletter from ICAE and in IFDA Dossier.

38. Quoted in De-Silva (1979) op. cit. (n. 37) p. 56.

39. For a more extended discussion on fragments of a curriculum for conscientization, see Gran (1983) Development By People, op. cit. p. 157 ff.

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ORGANIZATION OF CREDIT SCHEMES AT THE GRASS-ROOTS LEVEL FOR RURAL DEVELOPMENT IN AFRICA

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EXECUTIVE SUMMARY

Africa is mostly a rural continent, with agriculture as its primary economic base. The subsistence small farmers, many of whom are women, illiterate and poor, make significant contribution to agriculture, especially its food sub-sector. It is their combined effort and aggregate productivity which sustains the national economies. And yet they continue to be discriminated.

Development requires, inter alia, that economic growth be broadly based, offering equitable opportunities to all to participate fully. The current socio-economic crisis is largely a reflection of the failure of the region to accord priority to the development of the rural sector and its consequent deterioration. The process of recovery and self-reliant development of Africa, with people's participation will, therefore, have to start with rural transformation.

Rural transformation, at least at its initial stage, has to be credit financed. But, poverty has forced many rural people into debt trap in which they will remain for all their lives if no remedial action is taken. Institutional credit is a vital element of this action. Majority of the existing banking institutions in Africa as of now are urban based and their services hardly reach the rural poor. Their branch network and modes of operation have tended to siphon off resources from rural areas to support urban based commerce and industry. The lengthy bureaucratic procedures and insistence on tangible collateral have also created serious obstacles to rural poor to obtain credit for raising their productivity and income.

Various rural credit schemes have been tried in several African countries. These have all had some merits, but the schemes have not provided satisfactory solutions to the problems associated with rural poverty and low productivity. There is, therefore, the need for an innovative institutional approach to rural credit, which will enable the disadvantaged segment of the rural population to actively participate in their own development.

Hence the main objective of this report is to propose a methodology by which an innovative formal financial institution could be organised at the grassroots level, to provide credit without collateral to the rural poor, recognising their existing limitations. The report focusses on organising the disadvantaged rural people into purposive income-generating viable target groups,

creating the necessary institutional infrastructure to support such groups and providing credit without collateral. The advantages of such an approach are:

(i) access to credit by those, who did not, in effect, have such an institutional facility in the past;

(ii) participation of the (i) above in the process of recovery and self-reliant development of Africa;

(iii) realisation of their potential productivity and restoration of confidence, solidarity and dignity;

(iv) near total recovery of loan by installing discipline among illiterate borrowers through group pressure;

(v) reduction in operation cost and

(vi) supervision, monitoring and evaluation.

In addition to recognising the need for instituting a National Policy framework supportive of rural development, the report enumerates other critical factors essential for the successful organisation of rural credit schemes in Africa. These include: exclusive focus on the rural poor; delivering the credit directly to them in their villages; simple procedures and no collateral or guarantors; formation of small groups; close and cross supervision of loan utilization of group members; compulsory saving and group insurance schemes against death and disability; and rigorous practical training of potential borrowers and credit officials.

The following major recommendations emerge from the report:

(i) African Government may consider declaring their unequivocal support to rural credit institutions and their role in rural development by advocating the rural credit without collateral philosophy in political arena, banking community, the rural area and the society at large;

(ii) The existing financial systems which deny access of rural people to institutional credit through the demand of collateral should be modified for extending innovative credit to the rural poor;

(iii) Legal system and custom which require provision of credit to women to be co-signed by their husbands or male family heads or deny women's ownership of land, should be amended so that women can get credit on their own right;

(iv) Governments should encourage greater competition in the rural financial market so as to induce credit institutions to be more efficient and market-oriented than they are now and also to protect the interest of their clients. The setting of a realistic margin between interest revenue and interest cost would be an incentive to encourage credit institutions to enter the rural finance market;

(v) The separation of promotional and supervisory functions is also recommended. Both functions could be more effectively executed with greater regional decentralization than at present. The member States should clarify the roles of the different government and non-governmental organizations promoting and supporting rural credit programmes. The roles of these organizations should be clearly defined to avoid conflict, duplication and waste of scarce resources. They have to be provided with the necessary physical, financial and human resources to enable them perform their tasks more efficiently;

(vi) Although professional bankers' knowledge is important for the efficient operation of rural development credit schemes, this is not currently as lacking in the rural areas as their openness to understand and appreciate the socio-cultural milieu, and, an ability to operate in the informal sector. As promoters of rural development credit schemes, Governments should actively support both the "financial" and "social" components of training of bank personnel and of prospective rural borrowers;

(vii) In the light of the afore-mentioned, it is strongly recommended that the member States give ECA mandate to secure funds to establish pilot rural credit schemes to provide credit to target groups without collateral, to enable them to engage in income-generating activities and, thus, raise production and rural income. Such schemes, if properly and imaginatively implemented, should graduate into full fledged rural banks, if experience in a very poor country in another region, is any guide.

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SECTION 1

INTRODUCTION

Background

1. The economic base of many African countries is basically agrarian, and this situation may continue to remain so by the year 2000 and beyond. Performance in Agricultural sector is poor. It stagnated in the 60's,1/ showed steady decline from the mid 70's and was aggravated by severe drought and other natural disasters in the first half of the 1980's, thus leading to severe economic crisis with consequent food deficit. Attempts at structural adjustments and other economic reforms intended to reverse the deteriorating conditions had rather eroded further the already abysmal living conditions of the rural people.

2. Most of the `actors' in the agricultural sector are subsistence oriented small farmers, illiterate and poor. They are largely women, especially in food sub-sector and agro-processing. They depend mostly on outmoded production techniques which have been in use for centuries. `Hand-hoe' continues to symbolize their low productivity, despite considerable growth potential.2/

3. The result of the low productivity over the past two decades had been the growing inability to feed increasing population. This has also led to deteriorating economic base for rural development and concern for survival.

4. Under the existing production techniques even an expansion of farming lands could only provide just over 25% of additional produce; adoption of high yielding varieties will result in about 60% increase while adoption of cropping intensity may result in another 14% increase.3/ Thus a greater effort in channelling of resources and new and appropriate technology to the rural sector is needed to improve the current situation.

5. The rural poor are mostly women who have no legal title to land or own very little land. They are discriminated against in spite of their immense contribution to food production and the fact that it is their combined effort and aggregate productivity in this sub-sector which sustains the national economies. As a result of this discrimination, especially by formal financial institutions, the rural poor have no access to credit since they cannot provide security. It is now clear that, the early stage of agricultural modernisation has to be credit funded.

6. The existing financial institutions rate credit to the rural poor as high risk area and therefore make no attempts to formulate

innovative lending schemes to reach people at the grassroots level.4/ The usual 'reasons' are that the poor do not have tangible fixed assets and therefore cannot provide acceptable collateral. Because of this insensitivity to the plight of the rural people the latter are not capable of adopting any improvement which involves purchases beyond what could be accommodated within their limited income, unless they can obtain credit.5/

7. To overcome the poverty trap and to enable most of the rural population to participate in their own development, there is a need for an innovative approach to rural credit. There is today a broader consensus than in the past that the rural poor are capable of improving their productivity if they are organized and motivated and provided with technical, financial and infrastructural support. As of now, they have been by-passed, given little attention even by government agencies charged with the responsibility to assist the rural poor, specially the women, the landless, and the small rural producers.

8. What is required is an action plan which will direct greater flow of resources to the disposal of the rural small farmers, petty traders, craftsmen/women, cottage processors, in the face of the current reforms and market competitiveness. This will enable them to modernize their agriculture and production techniques and facilitate rural structural transformation and development.

9. Hence, the main objective of this report is to propose a model by which an innovative formal financial institution could be set up and organised at the grassroots to provide credit to the rural poor fully recognizing their existing limitations.

Scope of the Report

10. The report has six sections. Section I provides a background to the report. Section II proposes a conceptual framework for organizing rural credit schemes without collateral. Section III discusses the relevance of the conceptual framework to African continent's resolve to recover from the current socio-economic crisis mostly with its own resources and collective efforts. Section IV provides empirical evidence of promising rural credit experiences in Africa and other developing countries; Section V develops a model for the organization of pilot credit schemes at the grass-roots level for rural development in Africa and describes how such a model could be operationalized. The concluding Section VI makes certain recommendations for the consideration of member States.

Basis and Limitations of Report

11. The report is mainly based on information collected from various documents available in the Economic Commission for Africa (ECA) and other sources. Due to budgetary constraints, it was not possible to supplement and enrich the report by visits to Member States of the five Multi-national Programming and Operational

Centres (MULPOC) to discuss the proposals in the report. Because of the dearth of vital financial and other socio-economic data in many African countries the case studies presented of successful rural credit experiences could not be supported with satisfactory empirical evidence.

SECTION II

CONCEPTUAL FRAMEWORK FOR ORGANISING RURAL CREDIT SCHEME

12. Majority of commercial non specialized banking institutions in Africa are urban based and are primarily set up to support economic activities in urban centres. Their orientation, structure, mode of operation and branch network preclude rural people from benefitting from them. The commercial banks have been identified as the single major group in the formal financial sector which have the facilities and potential capacity to penetrate and fuel rapid transformation of the rural economy.6/ But the potential has not generally been realised. Their branches turned out to be conduits for siphoning deposits from the rural areas to urban centres to finance industry and commerce. In some countries however, attempts are being made to reverse this trend. Due to Central Bank's and Government's persuasion, some rural branches are being opened with specific objectives to lend greater portion of funds to support agriculture and other rural economic activities.7/

13. These efforts are isolated cases. The rural disadvantaged groups, made up of small farmers (predominantly women), operators of small businesses and craftsmen still remain excluded from formal credit services, although they constitute the largest segment of the African population. About 70 per cent of the African population live in the rural areas.8/

14. The basic reason for the poverty of the rural people is that they have to operate from a narrow economic base. The lack of assets, coupled with lending policies based on collateral limits the scope of the rural poor to take advantage of credit facilities for improving their incomes. Rural poverty is thus also the result of an inequitable access to resources and to institutional banking. Their economic base mainly consists of their physical labour, simple implements and may be, a small parcel of land. This base could be transformed if they could add some financial resource to support their physical endowment as well as their scanty and simple tools. For instance, if they could avoid borrowing from traders, money lenders and rich farmers at usurious rate of interest to purchase inputs or to meet their consumption needs, they would have made a long leap forward towards economic emancipation. If farmers could get credit from formal sources to meet their production and consumption needs, they can sell their produce at a fair price and increase double their income. Similarly, if the small craftsmen and traders, who also borrow from the same informal sources, could borrow from formal financial institutions at the reasonable rate of interest, it could be possible for them to earn much higher returns on their investments and efforts. The rural people, despite their poverty, are hard working and collectively form potentially the most productive segments of African economies. If this financial constraint could, therefore, be reduced, if not

removed, the rural poor stand a good chance of expanding their economic base and contributing to rural development through capital accumulation and investment. A number of strategies could be adopted to benefit the rural people. One pragmatic and tested strategy will be to make the target groups active participants both in taking credit and in saving up on an institutionalised basis. The gains to be derived from such composite arrangement have been identified by Von Pischkes who stated that:

15. "Linking credit access to the existence of a deposit relationship with the borrower or prospective borrower is a useful device from several points of view. It gives the potential borrower greater incentive to accumulate deposit balances. It reduces the lender's risk in two ways: the first is that savings accounts may be used to secure loans, and the second is that the lender acquires more knowledge of his customers by dealing with them as depositors than he would if the only relationship were with customers as borrowers."3/

16. Thus for their own well-being and for the utilization and expansion of their resources, the small-scale farmers and other rural entrepreneurs, must be provided with packages of credit and inputs, besides others. This could be done through creation of financial infrastructure suited to their needs. This infrastructure should be capable of:

a. providing avenues for mobilization of financial resources in the rural areas as a first step in developing formal rural borrower and lender relationship.

b. channelling mobilized resources into viable rural credit schemes to benefit enterprises in the various sectors of the rural economy without insisting on fixed assets as collateral.

c. contributing to the creation and expansion of financial product markets so as to lead to active improvement in financial intermediation, supply of goods and services and rural development.

Only financial institutions that perform these functions and whose programmes focus on the poor, who are struggling for economic survival, provide a basic pre-requisite and thus a crucial instrument for the necessary bottom-up development, with self-reliance and equity.

Target Population and Target Groups

17. The primary objective of an innovative rural financial service is to improve the living conditions of the rural people through income-generating activities. Identification of the target group in various African countries however could be determined according to the prevailing socio-economic conditions in each country. One criterion that may be applied is the income/asset of the rural household.10/ The target grouping should be based on groups which are homogeneous with respect to such factors as to type of activity, economic situation and savings capacity. They could be small farmers, fishermen, proprietors of small scale enterprises involved in raising livestock, handicrafts, retail trade, and agro-processing enterprises in the rural areas, and employees of such enterprises. Sub-groups, within major groups, may be based on social norms or religious beliefs so that traditional demands could be taken into consideration. Differentiating the rural people according to target groups is important for the success of a rural credit scheme, because various groups have different demands for financial services and differing financial potentials.

18. The organization of such population into target groups would serve a number of purposes. Firstly, it will give individuals a measure of personal security and confidence to take risk and take initiative. Secondly, formal groups will enable the rural poor to transform their individual weaknesses into collective strength and thus exert pressure against local centres of power. Thirdly, groups will be the main vehicles for members' participation in the activities of rural savings and credit schemes. Fourthly, the groups will act as source of social pressure on members to fulfill their obligations and to encourage them to discard undesirable traditional attitude and oppose anti-social but entrenched customs and practices. Fifthly, groups will provide the necessary organizational support for the launching of new varieties of economic, social and cultural activities. A sense of healthy rivalry and competition among them will spur each to a higher level of performance.11/

19. A number of methods could then be used to expose the groups or the rural people to the opportunities available and the services or products offered by financial institutions.12/ Accessibility may mean that in those rural areas, where no financial institutions exist attempts should be made at establishing them. In those areas where rural financial institutions already exist, they are to be motivated rather than directed to respond to the needs of the poorer segments of the population. But experience has shown that in spite of their willingness to respond to directives existing financial institutions' responses do not measure up to expectation or meet sufficiently the needs of the target groups. Their responses do not vary much from their time honoured practices. The

target groups might also be suspicious of the intentions behind any innovations by these institutions.

20. Thus in thinking of a new approach to creating and strengthening financial institutions for the target groups in the rural sector, certain factors have to be taken into consideration and specific objectives pursued.

a. Target groups should be trained in how to handle credit and learn how to deal with the financial institutions;

b. savings and investment opportunities should be opened up to them so as to cultivate the habit of saving and earn interest;

c. income-generating and, possibly, job-creating investments, which target groups previously could not finance, should be possible; and

d. credit opportunities should be provided for self-help projects;

e. the expansion of the rural financial infrastructure should lead to the creation of self-perpetuating income flows.

21. The ultimate objective of any innovative rural institution is to make it possible to increase the productivity and income of the disadvantaged segment of the people. If properly structured and functioning effectively, the institution should be able to mobilize savings of all the groups of the rural population and channel them in the form of credit to the same or more target groups to create more income flows and more savings. If financial institutions mobilize savings themselves, they would no longer have to depend on state subsidies or external financing, which carry with them some form of control. The most important element is that if they could mobilize the savings and provide the needed services, they would have created a dynamic environment for general rural prosperity and condition for their own viability in the long-term.

SECTION III

RELEVANCE OF THE CONCEPTUAL FRAMEWORK TO AFRICA'S RECOVERY AND DEVELOPMENT

22. The importance of rural development to African economies, which are predominantly rural, has been reflected in a series of documents and resolutions since 1964, of which Resolution 197 (IX) Integrated Approach to Rural Development (IRD) of 13 February 1969 is the most important. The famous African Regional Conference13/ on IRD, for the first time, pleaded in favour of integration of sectoral activities for optimal impact and improvement in the quality of rural life through series of qualitative and quantitative changes. The United Nations Food and Agriculture Organization (FAO) sponsored World Conference on Agrarian Reform and Rural Development (WCARRD), 197914/, which obtained global consensus in favour of rural development. It was a culmination of Africa's pioneering efforts.

23. Based on the tragic experience of the early 1980s, the pivotal role of agriculture and the rural sectors were widely reiterated. Both Africa's Priority Programme for Economic Recovery (APPER) 1986-199015/ and the United Nations Programme of Action for African Economic Recovery and Development (UN-PAAERD) 1986-199016/ which are based on the Lagos Plan of Action for the Economic Development of Africa 1980-200017/ accorded high priority to agriculture and rural development in Africa. Beyond Recovery: ECA - Revised Perspectives of Africa's Development (1988 - 2008) specifically and emphatically maintained, inter alia, the need to develop the rural sector in Africa first "without which no genuine development can be expected".18/

24. Under the auspices of UN-PAAERD, the Khartoum Declaration: Towards the Human-Focussed Approach to Socio-Economic Recovery and Development in Africa, 1988, adopted resolutions, which were four fold: (i) to incorporate the human factor in the recovery and structural adjustment process; (ii) to pay special attention to the vulnerable groups; (iii) to concentrate on the development and utilization of manpower for the long term; and (iv) to accept and identify the roles of regional, international and non-governmental organizations in each, taking their part in the development process, particularly in assisting the formulation and implementation of self-reliant grass-root development programmes.

25. The non-availability of institutional credit in adequate amount and at the right time to the people at the grass-roots who are mostly small farmers explains the low productivity and poor performance of agriculture in many African countries. The low productivity of small farmers is reflected in the vicious circle of "low income, low savings, low investment, low income". If this

vicious circle is to be broken and if African agriculture is to take off, supplemented by non-farm income-generating activities in the rural areas, with voluntary participation of farmers and others, then their productivity must be raised. This means provision of credit, besides other services, for capital investment and operational expenses.

26. The Secretariat's study on agricultural credit19/ covers in detail the reasons for the formal financial institutions incapability to adequately meet the credit requirements of the rural people. Among these are: neglect of agriculture and/or inappropriate policies; limited overall availability of rural credit, lack of sustained efforts to mobilize the saving potential of the rural population; traditional bankers' insistence on collateral; highly bureaucratic time-consuming process of loan negotiation and remoteness of location of credit institutions.

27. The most recent publication of the Secretariat which also addressed the issue of rural credit as one of the means to achieve the structural transformation of the African rural sector, is the African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF-SAP)20/. Two relevant policy instruments and measures prescribed by the report were:

(i) creation and strengthening of rural financial institutions in order to increase the mobilization of domestic savings and to improve financial intermediation;21/ and

(ii) creation of adequately funded "supervised food production schemes" in rural areas with easy access by farmers without collateral. This would lead to sustained increase in food production and adoption of improved technologies to reduce vulnerability to weather through increased investments in such areas as small irrigation schemes22/.

28. Finally, the African "Charter for Popular Participation in Development" adopted by the Arusha Conference in 199023/ also responded to the challenge of rural development by carefully and systematically identifying the role and responsibility of (i) people and their organizations, (ii) African governments, and (iii) the international community. Specifically, the Charter called upon the African States to examine their own record on popular participation, and, to support indigenous efforts which promote the emergence of democratic environment and facilitate the people's effective participation in the political life and the developmental decision making process of the countries.

SECTION IV

SUCCESSFUL RURAL CREDIT EXPERIENCES IN AFRICA AND OTHER DEVELOPING COUNTRIES

Introduction

29. Poverty has forced many rural people in Africa into a debt trap where they remain for their life. Institutional credit is vital if they are to improve their living conditions. Yet, it seldom reaches the poor because they lack acceptable collateral. The lengthy time-consuming bureaucratic procedures of most financial institutions often present serious obstacles to prospective borrowers. African governments have long recognized the importance of institutional credit to the development of the rural areas. But, the recognition was not matched by adequate concrete actions.

30. This section presents examples of some promising rural credit schemes in Africa and other developing countries to illustrate how the situation is gradually changing. Credit schemes, initiated by community groups are helping the rural people to regain control over their lives. Poor people are being freed from the exploitation of money lenders and traders. Their economic potential is being tapped by enabling them to initiate income-generating activities. Effective credit schemes are slowly improving the quality of rural people's lives and of the environment in which they live. Perhaps the most dramatic example of the international impact of these initiatives is the role played by the founder of Rural Bank, Bangladesh, in establishing small-scale credit schemes for the urban poor in Chicago and Arkansas (USA), the latter at the request of the Governor of the State. "That the pioneer of a credit programme for the impoverished masses of one of the poorest countries in the world should be advising on establishing similar programmes in the metropolis of one of the richest countries in the world, is really a paradox of extraordinary proportions![24]/".

Malawi

31. Efforts to introduce multi-purpose co-operatives in African countries have met with very limited success and attempts are being made to find simpler and more manageable "pre-co-operative" structures that provide at least part of the services of classical farmers' co-operatives. One type of pre-co-operative organization is that of group credit, which has been introduced in a number of countries but with limited benefits. The case of Malawi presents one of the few successful examples.

32. Credit groups in Malawi have only ten to thirty members each and have an unpaid management, which keeps lending costs low.25/ The administrative staff usually consists of a chairman who provides leadership, a treasurer who ensures trustworthiness and a secretary who maintains the records of the group. There are more than enough volunteers to fill these positions, because the farmers are not fully employed on their small holdings and these posts provide prestige. In the group lending operation, the security for credit repayment is usually provided by the joint liability of the group members. If a default occurs on obligations to the lender, credit to the whole group is suspended until the default is corrected. This may cause the entire group to be deprived of farm inputs such as; improved seeds and fertilizers for the next growing season, which may result in a drop in production. To avoid such losses, the Malawi Group Credit Scheme introduced a security fund. Farmers, who borrow, pay 10 per cent of the loan amount as a deposit into a common fund that is kept in trust by the credit institution for the group. If there is a default, the shortfall is made up by drawing on the security fund. Farmers are then free to apply for new credit as soon as the fund is replenished.

33. Because the number of credit groups quickly expanded, the membership of individual groups became increasingly concentrated in smaller locations. Village groups or extended families chose to form credit groups. This structure guarantees a higher degree of loyalty from the members because it avoids the anonymity from which co-operative societies with a wider membership usually suffer.

34. Group credit was first tried in the pioneer Lilongwe Land Development Project 1978 and then spread into farmers' clubs outside the project area. Other integrated rural development projects in Malawi have also experimented with group credit but statistics on these operations are not available. There are more group borrowers than individual borrowers. The repayment record for group credit - 100 per cent in four out of five years - is most impressive.26/ The project administration gives credit groups specialized training in self-accounting so that considerable cost is saved.

35. The experience with group lending in Malawi has proved that pre-co-operative societies can be developed in poor peasant societies, even in environment where efforts to develop conventional co-operatives have failed. The credit groups offer defined economic incentives such as price discounts on inputs and relief from individual loan processing. The formation of the groups is left to the initiative of the farmers. Government assists but does not interfere. Membership in the group is kept small. Management is provided by elected group members, who perform their duty without pay, principally for social prestige. Operation is limited and simple; members are fully liable for an individual default; group security against default is provided by an advance

deposit which is refunded with interest at the full repayment of the loan.

Ghana

36. Following the unsuccessful attempts by the Government to persuade the traditional banking institutions to open branches in the rural areas to provide financial services to the rural people, the (Central) Bank of Ghana (BOG) introduced the rural banking scheme in 1976. Rural Banks (RB) are private unit banks (without branches or headquarters) which specialize in the mobilization of savings and extension of credit to the rural people in the locality in which the bank is situated.27/ Ownership, management and operation of the banks are vested in the local people.

37. Rural Banks are organized in the form of joint stock companies. Fifty per cent of the banks' paid-up capital is made up of ordinary shares, and 50 per cent in the form of redeemable preference shares taken up by the BOG. The ordinary shares, which carry voting rights, are subscribed by the indigenous people. The ownership of the bank is spread as widely as possible among the local inhabitants by limiting the maximum amount of an individual's share subscription. Since it is envisaged that RBs would be eventually owned by the local people, BOG has over the years been gradually divesting itself of its preferred stock by converting them into ordinary shares which are sold to the local people.

38. The Board of Directors who are elected from among the share holders entitled to vote, exercise the ordinary corporate powers of a RB, conduct its business, hold monthly and annual general meetings. Questions of policy, management and lawful appropriation of funds to advance corporate interests are within the discretion of the Board. By its very nature, a RB must be a rather small unit. The organizational set-up of such a bank is, therefore, as simple as possible to ensure that it is inexpensive and reasonably easier to manage.

39. Loans are mostly granted to small borrowers who are members of a group provided that in the event of default, they will be severally and jointly liable for the loan repayment. RB extend loans for agricultural, industrial and commercial purposes. Personal loans are also granted for such purposes as health, children's education and subsistence.

40. The concept of "Rural Banking" is catching on fast. The performance of Rural Banks to date had been encouraging, both in terms of increase in the number of banks, account holders and growth of deposits. The number of banks has increased from four in 197728/ to 120 in 1989, with 40 more approved for opening 29/. There are 195 agencies for 91 of the banks30/ with large catchment areas to serve the remote areas, thus bringing

banking service closer to the rural people. The number of account holders averaged 885 per bank in 1977. The number increased per bank to 2276 in 198131/, 2961 in 198532/ and 5221 in 1989. In 1977 the number of ordinary shareholders were 263. This rose to 38,341 in 1985 and 70,875 in 1989.

41. Share capital in 1977 was $757 of which Bank of Ghana held 59% as preference shares with the rural people holding the remaining 41% as ordinary shares. As at June 1989, total share capital was $374,147 of which Bank of Ghana's preference share had dropped to 15% while the shares of the rural people increased to 85%. Both saving and demand deposits also increased from approximately $3,300 in 1977 to $11 million in 1989. Total assets of Rural Banks totalled $16.42 million as at June 1989, compared to $4,177 in 1977. Loans granted to 106,762 borrowers from 1984 to 1988 amounted to $11.85 million. A total of $6.4 million was granted to 18,854 borrowers in 1989. Sectoral break down of loans granted in 1989 was agriculture 33.2%, Industry and Commerce 42.4% and personal loans 24.4%. Holdings of Government securities and other Assets by RBs totalled about $4 million.33/

42. The Rural Banking scheme is the most radical innovative programme introduced by BOG to ensure the availability of formal savings and credit facilities to the rural people.

Senegal

43. As a legal entity, since 1978, the Federation of Non-Governmental Organizations of Senegal (FONGs) wanted, among other aims, to better co-ordinate the various development projects in the country undertaken by voluntary organizations, and to make its administrative and technical expertise available to farmers. As at 1989 FONGs had grouped together some 100,000 farmers, and since 1987/88 cropping season, had launched a system of rural credit provision which hopes to instill in the peasantry a serious sense of financial discipline. The programme already has participation of 15,000 of the members of FONGs groups.

44. Caisse, which is FONGs banker, has made available US$641,000 for the pilot operation. Functioning as an intermediary between the local NGOs and the financiers FONGs in 1988 mobilized rural credit to the tune of US$946,300. The peasants themselves saved US$189,200 during 1987-88 season.34/

45. Savings made by the group members are an essential part of the credit scheme. The total savings are redistributed to each member in turn within an agreed period. It starts with each member having to contribute a specific sum a year (a fixed amount at the beginning of each mango season). The savings payments are mandatory. As a result of the savings payments and credit scheme operated by FONGs, the women have gained cohesion, because

community life is cemented through the spirit of solidarity developed in the group. Experience so far has demonstrated the efficacy of FONGs' intervention in helping to stabilize the Senegalese agriculture and life in rural areas, by harnessing the savings potential of the rural communities and ploughing it back to its source.

Cameroon

46. Cameroon's informal NGOs such as Caisses populaires (CP) and Tontines, specialize in savings and credit. The facilities are available to various production groups operating in both the formal and informal sectors. The modalities of operation of these institutions are varied and appear to be the most practical organizations so far for securing people's participation in the development of Cameroon. In this category can be found people's banks or groupings of various co-operatives, which have been formed from the grass-root communities and tontines. The latter are diverse in their collection and lending network.

47. Tontines are associations which are based on co-operation at the family, clan or ethnic levels for the purpose of mutual financial assistance. The allocation of contributions from each of the members (about 50) to one at a time is made in turn following an established cycle. An additional amount is set aside as security. The meetings of tontines help members learn about the benefits of savings, which become more attractive when practised collectively and raise the confidence of members. Thus, by bringing people together, both economically and socially, tontines help to reduce the inadequacies of individuals in a community, thereby facilitating structural cohesion in the society. Credit flows from tontines are used for financing production as well as consumption. The production activities include both fixed and variable costs for income-generating activities in the rural areas.35/

Rwanda

48. In Rwanda, there are a number of activities which are initiated by the informal groups and NGOs in the form of mutual aid in the spirit of traditional solidarity. This involves sharing of services or goods by groups in turn, such as construction of houses, communal farm work and savings. These activities have generally been a success. An example of this is the Ibimina, practised in the Kivuye commune, in the north of Rwanda. It is a farmers' thrift and loan association which operates on the principle of rotation. An amount of money is allocated to the beneficiaries in turns. The turn of each member is determined by the degree of confidence the group has in him/her as a member and the urgency of his/her needs.

49. Ibimina is registered in the commune after payment of a fee. Registration secures its recognition by the communal authorities. Ibimina meetings are held monthly and in the home of the person who will receive the loan. These farmers' loan and thrift associations, in which members participate fully, contribute substantially to the socio-economic development of the society. Projects such as purchase of livestock, land and improvement of houses have been financed through them.

50. Dissatisfaction with time-consuming formalities and rigid requirements of collateral by Banque populaire led to the peasant groups to form their own savings and credit society called the Solidarity Bank.36/ This Bank plays an important role in the management of external funds for group activities. All groups assume responsibility for the funds, which serve both as guarantee to donors and generate obligations to funds by each group.

51. The idea of a savings club in Kenya was derived after a study visit to Zimbabwe in 1984, and the Totota Savings Club Programme (TSCP) was started the same year which covers several districts in the central province of Kenya. By the end of 1988, 39 groups with 1,113 members had been established. By the end of March 1989, eleven new groups with an unregistered number of members had been set up.37/ Fifty new groups, which had applied to join were on the waiting list. But the initiator - Totota Home Industries - cannot cope with the demand because of manpower and financial constraints.

52. Since its inception in 1983 as a marketing agency where women in and around Mombassa town would sell their handicrafts, Totota has expanded its activities to include rural development. This includes training in business management, costing, marketing of handicrafts, leadership, primary health care, family planning, adult literacy and running savings club. Totota's main aim is to introduce women and men to the banking world through group, rather than individual savings efforts. The second phase of the programme is to assist groups to accumulate savings which can be used as collateral to obtain credit from the banks.38/

Bangladesh

53. The Grameen Bank (GB) was started in 1976 in Bangladesh as an experiment to provide credit to the poor landless men and women in the rural areas.39/ Initially supported by funds from some commercial and nationalized banks, it was transformed into an independent bank in 1983. As at February 1990, the Government had 25 per cent of the initial paid-up share capital with the remaining 75 per cent being held by the borrowers of the bank. In addition, the bank has received funds from a number of external sources such as the International Fund for Agricultural Development (IFAD).40/

54. Members organize themselves into groups of five persons and ten such groups constitute a `centre'. The loans which are quite modest in size are granted for one year and the principal is repaid in weekly installments over this period. The bank transactions are conducted at weekly meetings held in the locality of the groups. The loans are granted for a wide range of income-generating activities such as trading, transport, processing, handicraft, cattle raising and simple manufacturing.41/ There are separate groups for men and women, with the latter now accounting for two-thirds of the total membership. There has been a rapid expansion in the banks' activities . As at December 1987, the Bank had 295 branches in 13 districts covering 230,000 borrowers in over 5,000 villages. The bank had disbursed approximately US$41 million of which 83 per cent of the loans went to female members and had a recovery rate of close to 98 per cent. The bank has also established `group savings' and `emergency' funds for its borrowers. Group members had saved US$3.8 million as at December 1986. The bank also undertakes a variety of social programmes such as family planning, schools and nutrition, and have sought to promote social reforms.

SECTION V

ORGANIZATION AND OPERATIONALIZATION OF PILOT RURAL DEVELOPMENT CREDIT SCHEMES

Introduction

55. As has been discussed in the previous sections, specific target groups exist in many African countries who need institutional credit to broaden and strengthen their economic base. The disadvantaged rural poor, consisting both men and women will form the target group for the proposed rural credit scheme without collateral. While the poor may be defined in various ways, it will be essential for each country to be precise in the choice and definition of an appropriate criteria for defining the target group in order to avoid confusion in identifying rural people who need priority attention. Some of these criteria are the use of the income/asset criterion or the size of the farm holding. This could, of course, be determined according to the socio-economic conditions in each country. In all cases, a baseline survey of the socio-economic characteristics of the target population would have to be undertaken to assess whether potentially a viable target group exists in the respective country and whether existing credit institutions could be used or new ones created for implementing the proposed credit schemes.

General Description

56. The proposed rural development credit scheme which will be eventually managed by the rural people themselves has been designed in a series of overlapping phases. The first will be to initiate two or three pilot schemes in selected locations in each participating country which can be effectively supervised and monitored. On the basis of evaluation of performance, the scheme could then be replicated at other locations in the country in the second and subsequent overlapping phases. During the second phase, some of the pilot credit schemes could be upgraded to full-fledged autonomous rural banks with their own board of directors and management staff. The major beneficiaries will be the share holders.

Detailed Features

(a) Organization, Management and Funding

57. At the inception of the Scheme, a Scheme Co-ordinator (SC) should be appointed who will be responsible for its establishment and operation. Since the commitment, skill and leadership qualities of the SC and his freedom of initiative in setting up the scheme are vital ingredients for success, it is proposed that the

SC should be identified and appointed through consultations with the people of the area where he/she would work, the concerned governmental and non-governmental organizations and officials of the central and commercial banks. SC would set in motion the necessary establishment procedures for the conduct of the preparatory surveys and supervising the commencement of that work.

58. Once the scheme becomes fully operational, the SC will be responsible for training, the disbursement of funds to the pilot credit units to be established, consolidation of accounts, administration and maintenance of an effective management information system. He will also monitor the progress of the scheme and produce quarterly and annual progress reports.

59. Although the government will take initiative for introducing the pilot credit scheme for rural development, it would be desirable that the scheme be operated, as far as possible, independently of government bureaucracy. It should be started with the intention that it will become financially self-sustaining as soon as possible. One option will be the creation of a bank with stratified share-holding involving the government, the central bank, the commercial banks and the beneficiary participants. While such an institution will operate as a private entity, the government will safeguard its interest through a financing agreement between the government and the management entity.

60. The Government, the central bank, interested commercial banks, and, where possible, beneficiary participants should contribute to the initial capital fund for starting the scheme. This could be supplemented by funds from external sources to meet the incremental credit needs of the loan recipients. Recognizing the innovative nature of the scheme and the need for financing flexibility in its establishment, it is proposed that the first phase be financed from grant resources, and the second and subsequent phases financed under the terms of a project loan. The detailed arrangements would be determined by the recipient government and the external donor or lending agency.

(b) <u>Preparatory Surveys</u>

61. Before the commencement of the credit scheme a base-line survey should be undertaken in order to select the areas where the pilot credit schemes would be located. The basic guidelines in selecting the survey areas should be the population density, the arable land per capita, communication system, presence of a market place and a branch of a commercial bank or any other financial institution. Once the areas are selected, basic information will also be collected on the socio-economic characteristics of the target population; such as: natural resources, family size, age distribution, education, skills, occupation, employment opportunities, nutritional levels, assets and liabilities, etc.

The survey should preferably be undertaken with the assistance of the staff to be recruited to work with the credit scheme. Their involvement in the survey would increase their knowledge of the areas and build up their experience and rapport with the target groups. In conducting the base-line survey and in preparing the survey report, assistance should be sought from local universities and/or other organizations suitable for the purpose such as a centre for rural or social studies.

(c) Establishment of Rural Development Credit Units (RDCU)

62. Based on the survey reports two or three areas will be selected for the establishment of the pilot credit schemes, to be designated as Rural Development Credit Units (RDCU). Compatible with sustaining staff incentives and enthusiasm, the units should be run on a least cost basis, since ultimately the cost effectiveness of the scheme would depend on the effectiveness of the credit units in building up their level of business without heavy overheads. Besides the monetary rewards, the satisfaction of working for a close knit and expanding purposeful new organization should add greatly to the incentives of staff recruits who would be drawn mainly from the locality in which the credit unit would be situated.

63. Each credit unit would be expected to reach a targeted number of the rural population living in adjacent villages of the unit. The target number of group members for each unit will be determined by the manager of the unit, his/her staff and the beneficiaries in consultation with the SC. This would, of course, depend on population densities, existing infrastructure and socio-economic conditions in each country. For example, each unit worker could service several groups (say 50) of the target population.

(d) Formation of Target Groups

64. To qualify for a loan under the proposed credit scheme, a potential borrower should be a member of a group with others who are like-minded and have a similar socio-economic status as himself/herself. Several groups may be formed in a village. Each group will have its own "chairperson" and secretary elected by the group members. Several groups (5-10 for instance) in a village will be federated into a "centre". The group chairpersons in a centre would elect a "centre chief" and a "deputy centre chief" from among themselves. The centre would find a convenient day and time to hold its regular meetings, where members of all groups belonging to the centre would attend, deposit savings and transact other business. The "centre chief" would conduct the meeting and the credit unit official would be present to disburse loans and to collect savings and loan repayments. In this manner, the credit officials would go to the target population in their villages

rather than the rural people going to the credit units to deposit savings or obtain loans.

(e) Organization and Implementation of Training Programmes

65. The successful operation of the credit scheme would depend on the training programmes to be organized for the Scheme Co-ordinator, officials of the rural credit units and members of the target groups. To acquire the motivational and organizational skill to bring the scheme to the rural people and to organize them under it, a thorough understanding of the training methodology and procedures of other African and developing countries which have successfully organized and implemented rural development credit schemes may be necessary. For this, the SC would have to go through an extensive dialogue and exposure programme in those countries and he/she would have to be sufficiently acquainted with the training approach and content developed and followed for training credit officers. For this purpose, he/she and his/her first two or three unit managers would be required to participate in training and to visit rural credit institutions in those countries. He/she would, in turn, develop appropriate training courses for his/her country with the help of local training institutes and technical assistance, if necessary, so that the scheme staff may be locally trained.

66. Once the rural credit unit managers and their staff members are selected, they should be trained in organizing groups, rendering banking and other services to the target group members, maintaining accounts and preparing financial and other reports/records. This would require intensive training, both at the village and the classroom level, to be able to undertake their assignment. Besides this induction training, staff should be given in-service training at regular intervals in order to keep them up to date and raise their standards of performance.

67. Before eligible borrowers are granted loans, they should go through an intensive training programme dealing with the philosophy of the credit scheme and its rules and procedures. An official of the credit unit will be present at the group meetings to explain the scheme's rules and procedures, to teach members how to complete documentation. In the meetings, obligations of members will be repeated to them to ensure that they are thoroughly understood. At the end of the observation period, group members have to pass a "test" before they are granted recognition and hence eligibility for loans. During this "test", members must satisfy credit officials of their integrity and seriousness and understanding of the principles and procedures of the scheme for delivery and recovery of loans.

(f) Lending Procedure

68. The lending procedure of the proposed rural credit scheme could be as follows:

(i) The loan proposal stating the loan purpose and amount would be made by the group member himself/herself;

(ii) No collateral would be required to obtain a loan;

(iii) Initially, some members of the group (selected among themselves) will be granted loans and others will be asked to monitor their performance. Other members shall be warned that if the first batch of loanees fail to make their regular repayments, the remaining members would forfeit their loan benefit. This would put loanees under "peer pressure" to honour their repayment obligations. Once the first loans are repaid, the other borrowers can apply. The first loanees would again qualify for a loan when they have repaid their previous loans and the process will continue with the other group members;

(iv) Each loan request will be considered and approved within the group and would need to be scrutinized and forwarded by the credit official. Discussions will be conducted in public so that exaggeration, misinformation, wilful suppression of facts can be minimized.

(v) The rural development credit unit manager, after scrutinizing and assessing individual loan proposals, would prepare a consolidated list of applicants and the amount of loans and would forward this to the Scheme Co-ordinator;

(vi) The SC would finally scrutinize the proposal, approve the loans and disburse the loans through the credit units. The responsibility for loan approval and disbursement may be delegated to the credit unit managers;

(vii) Loan utilization would be strictly supervised by the group members, the centre chief and the credit officials;

(viii) Loan repayments would be determined according to the applicant's capacity to repay. Repayment terms should be flexible so that borrowers can repay money in small amount. The borrower will also be expected to repay a certain percentage of his interest liability into a Group Insurance Fund. All property/materials purchased with the loan would be regarded as property of the credit unit until the loan is paid in full;

(ix) The RDCU would maintain accounts with a nearby branch of a commercial bank or post office savings bank, would keep all funds there and submit statements of accounts to the SC showing loan disbursement, repayments, savings and risk fund deposits and interest accounts; and

(x) The RDCU would also maintain accounts of a Group Savings Fund and the Group Insurance Fund that would be developed in the process by the contribution of group members.

(g) The Group Savings Fund (GSF)

69. The Group Savings Fund (GSF) will be an important component of the credit scheme. The GSF would be explained to group members as being their own "mini-bank" to protect them from going to money lenders when they need immediate cash for such purposes as medical care, school fees of their children, meeting maintenance expenses for themselves and making quick supplementary investments. As far as feasible, every group member will make small regular deposits as may be determined by the group as personal savings with the scheme. Over and above, when a group member receives a loan, a percentage of the loan amount, to be decided by the group, will be deducted which will be deposited in the GSF account.

70. The GSF will, in fact, function as a savings bank for the group members within the umbrella and framework of the scheme. The group members will be able to borrow from this fund as and when they need on both individual and group basis for investment as well as consumption purposes. The Fund will be jointly operated by the Group chairperson and secretary. The terms and conditions of the group fund loan, including the rate of interest will, however, be determined by the group members. (To preserve the fund, a rule should be made that not more than 50 per cent of the GSF can be lent out at any one time).

(h) Group Insurance Fund (GIF)

71. Besides the GSF, the scheme will also maintain a fund, to be known as the Group Insurance Fund. This will basically be for insurance against default caused by death, disability and other accidents. The fund can also be used to undertake activities which will improve the health, education, skill and investment opportunities of the group members. Each borrower shall pay into this fund a percentage of the amount charged by the scheme as interest on its loan. The percentage will be determined by the group members with the advice of the credit official.

(i) Monitoring, Reporting and Evaluation

72. For the successful operation and future expansion of the credit scheme, it will be necessary to establish an effective

monitoring system and undertake internal and external evaluation. Each RDCU manager will submit a monthly progress report to the SC for information and necessary action. The report will contain information on progress in group formation, group and centre activities, activities and problems of the rural credit unit and staff discipline, loan disbursements and repayments, group savings and insurance fund situations, etc. He will also prepare and submit an annual plan of his unit for the following year including an estimated expenditure and income of the unit.

73. The SC will be responsible for monitoring the RDCUs. Based on the unit reports, he will prepare and circulate consolidated monthly report which will contain data on the number of group members, number of centres, borrowers and villages covered, amount of disbursement from loan and group insurance funds, etc. The SC will also prepare and circulate an annual report highlighting the scheme's activities, income and expenditures. He will hold review meetings with his staff at the village level. He should also take initiative for the external evaluation of the scheme at the end of the second year and the fifth year at which points the introduction of the second phase and future replication of the scheme in other areas will be respectively determined. One of the existing research institutions in the country which has been involved with the evaluation of small farmer credit schemes and/or integrated rural development projects could undertake the evaluations possibly in close collaboration with the appropriate university faculty.

SECTION VI

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

74. The report brings to the focus that, in spite of most of the African economies being rural and the main producers small holders and other disadvantaged segments of the population, the existing financial institutions scarcely reach the rural poor. Attempts have been made in the past through policy directives by governments and central banks, to redirect banks and other institutional efforts towards extending credit to rural poor. However, these attempts did not have the desired impact. The banks have been mostly insensitive to the plight of the rural people and have insisted on orthodox banking norms of borrower providing acceptable collateral. Even where concessions have been granted few affluent and influential people in the rural areas have succeeded in taking larger share of the rural credit funds. Thus the rural poor who are in desperate need of assistance continue to be denied formal credit.

75. Banks' attempts to penetrate the rural areas have in most cases tended to be detrimental rather than beneficial. They rather siphon - off surplus funds accumulated through their branches in the rural areas and use them as credit base for financing urban enterprises. The problems of the rural poor thus remain unsolved. They are poor, cannot provide collateral and therefore cannot be provided with credit. Because of this vicious circle, the rural poor cannot adopt any improvement which involves purchases involving cash outlays greater than their limited income.

76. Various lending schemes have been tried in several African countries to overcome the problem. They have all had some merits, but the schemes so far adopted have not been able to provide satisfactory and sustained solutions to the problems associated with rural poverty and low productivity.

77. Thus for their own well-being and for the utilization and expansion of their resources, the landless, rural women, the small-scale farmers and other rural entrepreneurs, must be provided with packages making available to them pre-requisites for economic independence, flexibility and exposure to formal financial services. This could be done through creation of financial infrastructure suited to their needs and establishment of a mechanism for active participation of the rural poor themselves, not just as recipients of loans, but as integral partners in rural development.

78. The report has enumerated critical factors essential for the successful organisation of rural development credit schemes in Africa. These include:

i) Exclusive focus on the rural poor at least at the initial stage;

ii) Credit delivery system designed specifically for them, i.e. delivery of loans in a way that the poor can participate and benefit;

(a) no collateral requirement;
(b) delivering the credit directly to the poor right at their villages and homes to reach the poor women);
(c) simple procedures;

iii) Formation of small groups by members themselves, with no government interference;

iv) Small loans and small instalments for repayments (where feasible);

v) Close and cross supervision of loan utilization by group members themselves;

vi) Compulsory saving;

vii) Group insurance schemes against death and disability;

viii) Rigorous and practical training of credit officials sympathetic to problems of rural people;

ix) Rigorous training and testing of potential borrowers, integrity and enterprise;

x) Open conduct of business and

xi) National policy framework supportive of rural development.

79. If African governments want to induce their banking community to improve its performance in the rural areas, they must precisely state what they expect the bankers to do. This leads to the following recommendations, viz.,

Recommendation 1:

80. The member States should make it clear that they recognize the need for rural financial institutions and their role in the rural development process and set themselves the political task of advocating this "rural banking philosophy" in the political arena,

in the banking community, in the rural community and the society at large.

Recommendation 2:

81. The legal system, including law enforcement, should be reviewed and possibly modified in such a way that it becomes easier to provide innovative rural banking services to the rural poor especially the women. The banks' insistence on collateral, the need for credit to women to be co-signed by their husbands, laws denying women's ownership of land, where they exist should be amended for women to gain access to formal credit.

Recommendation 3:

82. There is a case to enact and enforce strict prudential regulations for rural banking activities. Such regulations would put banks in the rural areas under pressure to conduct their business in a sound manner and not to "struggle for survival" at the expense of the rural poor. Regulations should be such that banks have no alternative other than to act in the interest of the customers or to suffer being driven out of the market. Strong pressure to avoid losses will, in the final analysis, motivate bankers to become much more oriented towards the profit potential inherent in an imaginative and open-minded approach to the specific aspects of rural finance.

Recommendation 4:

83. A spirit of competition in the rural financial market should be encouraged. Competition is an effective means of safeguarding the interests of clients and inducing the bankers to be more efficient and more market oriented than they are now. A realistic margin between interest revenue and interest costs to banks could be an incentive for new competitors to enter the market, and this should be encouraged.

Recommendation 5:

84. As promoters of rural banking facilities, the member States should actively support the "social component" of training of bank personnel, managers and directors. Professional bankers' knowledge is, of course, very important. However, this is currently not as lacking in the rural financial institutions as an understanding of the customers' habits and ways of thinking, and an ability to operate in and with the so-called informal sector. Concrete measures should be taken to spread awareness among the personnel of banks operating in the rural areas that a stronger social orientation, greater efficiency and more viability are possible, necessary and, indeed, expected of them by the government. A campaign aimed at achieving a new level of awareness should also be

designed for officials of ministries and NGOs concerned with rural development.

Recommendation 6:

85. The member States should clarify the roles of the different bodies promoting, supporting and supervising rural credit schemes. The roles of the different organizations have to be spelled out clearly, the organizations have to be endowed with sufficient resources. A separation of promotional function from supervisory function is advisable. Both functions should be organized with a greater regional decentralization than at present. The present allocation of personnel and other resources should not be a binding constraint. Both effective support and strict supervision of rural credit schemes are vital for their proper functioning and should be given more weight than administrative obstacles.

Recommendation 7:

86. To facilitate Africa's recovery and self-reliant development, a regional programme for initiating pilot rural credit schemes without collateral in selected countries is needed. It is recommended that ECA may be given the mandate of member States to obtain funding from donor agencies to execute the project for "Strengthening Financial Institutions of Rural Africa and Provision of Credit for Agricultural and Other Income-Generating Activities in Selected Countries".

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